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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

OR

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

Commission file number 000-33393

Northwest Biotherapeutics, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**I.R.S. Employer Identification No. 94-3306718**
(State or other Jurisdiction of Incorporation or Organization)	

7600 Wisconsin Avenue, Suite 750
Bethesda, Maryland 20814
(Address of Principal Executive Offices)

(240) 497-9024
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☑

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

As of August 14, 2008, the total number of shares of common stock, par value $0.001 per share, outstanding was 42,492,853.

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NORTHWEST BIOTHERAPEUTICS, INC.

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NORTHWEST BIOTHERAPEUTICS, INC.
(A Development Stage Company)

Condensed Consolidated Balance Sheets
(in thousands)

	December 31, 2007	June 30, 2008 (Unaudited)
Assets		
Current assets:		
Cash	$ 7,861	$ 1,205
Prepaid expenses and other current assets	823	1,624
Total current assets	8,684	2,829
Property and equipment:		
Laboratory equipment	29	29
Office furniture and other equipment	94	104
Construction in progress	—	231
	123	364
Less accumulated depreciation and amortization	(104)	(127)
Property and equipment, net	19	237
Deposit and other non-current assets	3	3
Total assets	$ 8,706	$ 3,069
Liabilities And Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 846	$ 1,349
Accounts payable, related party	161	8
Accrued expenses	1,006	597
Accrued expense, related party	886	511
Note payable to related party, net of discount	—	4,069
Total liabilities	2,899	6,534
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value; 20,000,000 shares authorized at December 31, 2007 and June 30, 2008 and 0 shares issued and outstanding at December 31, 2007 and June 30, 2008		
Common stock, $0.001 par value; 100,000,000 shares authorized at December 31, 2007 and June 30, 2008 and 42,346,085 and 42,492,853 shares issued and outstanding at December 31, 2007 and June 30, 2008, respectively	42	42
Additional paid-in capital	148,064	150,503
Deficit accumulated during the development stage	(142,295)	(153,970)
Cumulative translation adjustment	(4)	(40)
Total stockholders' equity (deficit)	5,807	(3,465)
Total liabilities and stockholders' equity	$ 8,706	$ 3,069

See accompanying notes to condensed consolidated financial statements.

NORTHWEST BIOTHERAPEUTICS, INC.
(A Development Stage Company)

Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Period from March 18, 1996 (inception) to June 30, 2008
	2007	2008	2007	2008	
Revenues:					
Research material sales	$ —	$ —	$ —	$ —	$ 540
Contract research and development from related parties	—	—	—	—	1,128
Research grants	—	—	—	—	1,061
Total revenues	—	—	—	—	2,729
Operating expenses:					
Cost of research material sales	—	—	—	—	382
Research and development	2,158	3,143	3,469	6,205	50,827
General and administrative	1,445	2,855	1,946	5,458	45,596
Depreciation and amortization	6	—	16	22	2,344
Loss on facility sublease	—	—	—	—	895
Asset impairment loss	—	—	—	—	2,056
Total operating costs and expenses	3,609	5,998	5,431	11,685	102,100
Loss from operations	(3,609)	(5,998)	(5,431)	(11,685)	(99,371)
Other income (expense):					
Warrant valuation	—	—	—	—	6,759
Gain on sale of intellectual property	—	—	—	—	3,656
Interest expense	(4,733)	(69)	(4,864)	(81)	(21,411)
Interest income and other	387	17	388	91	1,206
Net loss	(7,955)	(6,050)	(9,907)	(11,675)	(109,161)
Issuance of common stock in connection with elimination of Series A and Series A-1 preferred stock preferences	(12,349)	—	(12,349)	—	(12,349)
Modification of Series A preferred stock warrants	(2,306)	—	(2,306)	—	(2,306)
Modification of Series A-1 preferred stock warrants	(16,393)	—	(16,393)	—	(16,393)
Series A preferred stock dividends	(334)	—	(334)	—	(334)
Series A-1 preferred stock dividends	(917)	—	(917)	—	(917)
Warrants issued on Series A and Series A-1 preferred stock dividends	(4,664)	—	(4,664)	—	(4,664)
Accretion of Series A preferred stock mandatory redemption obligation	—	—	—	—	(1,872)
Series A preferred stock redemption fee	—	—	—	—	(1,700)
Beneficial conversion feature of Series D preferred stock	—	—	—	—	(4,274)
Net loss applicable to common stockholders	$ (44,918)	$ (6,050)	$ (46,870)	$ (11,675)	$ (153,970)
Net loss per share applicable to common stockholders — basic and diluted	$ (5.56)	$ (0.14)	$ (7.53)	$ (0.28)	
Weighted average shares used in computing basic and diluted net loss per share	8,074	42,376	6,222	42,361	

See accompanying notes to condensed consolidated financial statements.

NORTHWEST BIOTHERAPEUTICS, INC.
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended June 30,		Period from March 18, 1996 (Inception) to June 30,
	2007	2008	2008
Cash Flows from Operating Activities:			
Net Loss	$ (9,907)	$ (11,675)	$ (109,161)
Reconciliation of net loss to net cash used in operating activities:			
Depreciation and amortization	16	22	2,344
Amortization of deferred financing costs	—	—	320
Amortization of debt discount	5,253	—	17,996
Accrued interest converted to preferred stock	—	—	260
Accreted interest on convertible promissory note	183	—	1,484
Stock-based compensation costs	4	2,214	6,005
Gain on sale of intellectual property and royalty rights	—	—	(3,656)
Loss on sale of property and equipment	—	—	273
Warrant valuation	—	—	(6,759)
Asset impairment loss	—	—	2,066
Loss on facility sublease	—	—	895
Increase (decrease) in cash resulting from changes in assets and liabilities:			
Accounts receivable	3	—	—
Prepaid expenses and other current assets	(452)	(576)	(901)
Accounts payable and accrued expenses	1,706	94	1,684
Related party accounts payable and accrued expenses	—	(459)	773
Accrued loss on sublease	—	—	(265)
Deferred rent	—	—	410
Net Cash used in Operating Activities	(3,194)	(10,380)	(86,232)
Cash Flows from Investing Activities:			
Purchase of property and equipment, net	(11)	(240)	(4,845)
Proceeds from sale of property and equipment	—	—	250
Proceeds from sale of intellectual property	—	—	1,816
Proceeds from sale of marketable securities	—	—	2,000
Refund of security deposit	—	—	(3)
Transfer of restricted cash	—	—	(1,035)
Net Cash used in Investing Activities	(11)	(240)	(1,817)
Cash Flows from Financing Activities:			
Proceeds from issuance of note payable to stockholder	2,600	4,000	9,750
Repayment of note payable to stockholder	(225)	—	(6,700)
Proceeds from issuance of convertible promissory note and warrants, net of issuance costs	—	—	13,099
Borrowing under line of credit, Northwest Hospital	—	—	2,834
Repayment of line of credit, Northwest Hospital	—	—	(2,834)
Repayment of convertible promissory note	—	—	(119)
Payment on capital lease obligations	(2)	—	(323)
Payments on note payable	—	—	(420)
Payment of preferred stock dividends	—	—	(1,251)
Proceeds from issuance of Series A cumulative preferred stock, net	—	—	28,708
Proceeds from exercise of stock options and warrants	25,918	—	227
Proceeds from issuance of common stock, net	—	—	48,343
Mandatorily redeemable Series A preferred stock redemption fee	—	—	(1,700)
Deferred financing costs	—	—	(320)
Net Cash provided by Financing Activities	28,291	4,000	89,294

	Six Months Ended June 30,		Period from March 18, 1996 (Inception) to June 30,
	2007	2008	2008
Effect of exchange rates on cash	—	(36)	(40)
Net increase (decrease) in cash	25,086	(6,656)	1,205
Cash at beginning of period	307	7,861	—
Cash at end of period	$ 25,393	$ 1,205	$ 1,205
Supplemental disclosure of cash flow information — Cash paid during the period for interest	$ —	$ 12	$ 1,883
Supplemental schedule of non-cash financing activities:			
Issuance of common stock in connection with elimination of Series A and Series A-1 preferred stock preferences	$ 12,349	$ —	$ 12,349
Modification of Series A preferred stock warrants	2,306	—	2,306
Modification of Series A-1 preferred stock warrants	16,393	—	16,393
Warrants issued on Series A and Series A-1 preferred stock dividends	4,664	—	4,664
Issuance of common stock for right to acquire license (prepaid expense)	225	—	225
Equipment acquired through capital leases	—	—	285
Common stock warrant liability	—	—	11,841
Accretion of mandatorily redeemable Series A preferred stock redemption obligation	—	—	1,872
Beneficial conversion feature of convertible promissory notes	—	—	7,242
Conversion of convertible promissory notes and accrued interest to Series D preferred stock	—	—	5,324
Conversion of convertible promissory notes and accrued interest to Series A-1 preferred stock	—	—	7,707
Conversion of convertible promissory notes and accrued interest to common stock	—	—	269
Issuance of Series C preferred stock warrants in connection with lease agreement	—	—	43
Issuance of common stock for license rights	—	—	4
Issuance of common stock and warrants to Medarex	—	—	840
Issuance of common stock to landlord	—	—	35
Deferred compensation on issuance of stock options and restricted stock grants	—	—	759
Cancellation of options and restricted stock	—	—	849
Stock subscription receivable	—	—	480
Financing of prepaid insurance through note payable	—	—	491

See accompanying notes to condensed consolidated financial statements.

Northwest Biotherapeutics, Inc.
(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Northwest Biotherapeutics, Inc. and its subsidiary, NW Bio Europe Sarl (collectively, the "Company" "we", "us", "our"). All material intercompany balances and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). All normal recurring adjustments which are necessary for the fair presentation of the results for the interim periods are reflected herein. Operating results for the three and six month periods ended June 30, 2008 and 2007 are not necessarily indicative of results to be expected for a full year.

The independent registered public accounting firm's report on the financial statements for the fiscal year ended December 31, 2007 states that because of recurring operating losses, net operating cash flow deficits, and a deficit accumulated during the development stage, there is substantial doubt about the Company's ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the Company's condensed consolidated financial statements are disclosed in Note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

During the quarter ended June 30, 2008 we adopted a new policy for accounting for construction in progress. Construction in progress represents the cost of placing two clean rooms into service at the facility of our contract manufacturer. Upon completion of these clean rooms, depreciation will commence and be recognized over the estimated useful life of seven years.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) expands the scope of acquisition accounting to all transactions under which control of a business is obtained. Among other things, SFAS 141(R) requires that contingent consideration as well as contingent assets and liabilities be recorded at fair value on the acquisition date, that acquired in-process research and development be capitalized and recorded as intangible assets at the acquisition date, and also requires transaction costs and costs to restructure the acquired company be expensed. SFAS 141(R) is effective on a prospective basis as of January 1, 2009 for the Company. The Company is assessing the impact of the adoption of this standard on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS 160"). The statement changes how noncontrolling interests in subsidiaries are measured to initially be measured at fair value and classified as a separate component of equity. SFAS 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. No gains or losses will be recognized on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value all of the assets and liabilities, including goodwill, as if the entire target company had been acquired. The statement is to be applied prospectively for fiscal years beginning on or after December 15, 2008. We will adopt the statement on January 1, 2009. We are currently evaluating the impact the adoption of this statement will have, if any, on our consolidated financial position or results of operations.

In December 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on Issue No. 07-1 ("EITF 07-1"), *Accounting for Collaborative Arrangements*. EITF 07-1 is effective for the Company beginning January 1, 2009 and will be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. The Company is assessing the impact of adoption of EITF 07-1 on its financial position and results of operations.

On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the required disclosures on fair value measurements. In February 2008, the FASB issued Staff Position 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), that deferred the effective date of SFAS 157 for one year for nonfinancial assets and liabilities recorded at fair value on a non-recurring basis. The effect of adoption of SFAS 157 for financial assets and liabilities recognized at fair value on a recurring basis did not have a material impact on the Company's financial position and results of operations (See Note 3). The Company is assessing the impact of the adoption of SFAS 157 for nonfinancial assets and liabilities on the Company's financial position and results of operations.

On January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits companies to irrevocably elect to measure certain financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The Company did not elect the fair value option under SFAS 159 for any of its financial assets or liabilities upon adoption.

On January 1, 2008, the Company adopted EITF Issue No. 07-3, *Accounting for Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* ("EITF 07-3"), which is being applied prospectively for new contracts. EITF 07-3 addresses nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities. EITF 07-3 requires these payments be deferred and capitalized and recognized as an expense as the related goods are delivered or the related services are performed. The effect of adoption of EITF 07-3 on the Company's financial position and results of operations was not material.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"), which is effective January 1, 2009 for the Company. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity's financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosure of the fair values of derivative instruments and associated gains and losses in a tabular format. Since SFAS 161 requires only additional disclosures about the Company's derivatives and hedging activities, the adoption of SFAS 161 will not affect the Company's financial position or results of operations, should the Company acquire derivatives in the future.

In May 2008, the FASB issued Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ("FSP APB 14-1"). FSP APB 14-1 states that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of Accounting Principles Board Opinion No. 14 and that issuers of such instruments should account separately for the liability and equity components of the instrument in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and must be applied retrospectively to all periods presented. The Company is assessing the impact of the adoption of this standard on its financial position and results of operations.

3. Fair Value Measurements

As discussed in Note 2 above, effective January 1, 2008, the Company adopted SFAS 157 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS 157 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

If the inputs used to measure the financial assets and liabilities fall within the different levels described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

As of June 30, 2008, the Company did not hold any financial assets and liabilities which were required to be measured at fair value on a recurring basis.

4. Stock-Based Compensation Plans

The Company has share-based compensation plans under which employees and non-employee directors may be granted options to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost is measured by the Company at the grant date, based on the fair value of the award, over the requisite service period. For options and warrants issued to non-employees, the Company recognizes stock compensation costs utilizing the fair value methodology prescribed in SFAS 123 (revised 2004), *Share Based Payment* ("SFAS 123(R)"), over the related period of benefit.

The stock-based compensation expense related to stock-based awards under SFAS 123(R) totaled approximately $1,117,200 and $4,000 for the three months ended June 30, 2008 and 2007, respectively. The stock-based compensation expense related to stock-based awards under SFAS 123(R) totaled approximately $2,213,900 and $4,000 for the six months ended June 30, 2008 and 2007, respectively. As of June 30, 2008, the Company had $8.7 million of total unrecognized compensation cost related to non-vested stock-based awards granted under all equity compensation plans.

Options to purchase 870,000 shares of the Company's common stock were granted to new employees in April and May 2008. No options to purchase the Company's common stock were granted during the six month period ended June 30, 2007. The fair value of each option grant is estimated on the grant date using the Black-Scholes option pricing model.

Stock Option Plans

The Company established a stock option plan, which became effective on June 22, 2007 (the "2007 Stock Option Plan"). In April 2008, the Company increased the number of shares reserved for issuance under the 2007 Stock Option Plan by 519,132 shares of its common stock for an aggregate of 6,000,000 shares of its common stock, par value $0.001 per share ("Common Stock"), reserved for issue in respect of options granted under the plan. The plan provides for the grant to employees of the Company, its parents and subsidiaries, including officers and employee directors, of "incentive stock options" within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended, and for the grant of non-statutory stock options to the employees, officers, directors, including non-employee directors, and consultants of the Company, its parents and subsidiaries. To the extent an optionee would have the right in any calendar year to exercise for the first time one or more incentive stock options for shares having an aggregate fair market value, under all of the Company's plans and determined as of the grant date, in excess of $100,000, any such excess options will be treated as non-statutory options.

5. Liquidity

The Company has experienced recurring losses from operations, and, as of June 30, 2008, had a working capital deficit of $3.7 million and a deficit accumulated during the development stage of $154 million.

Since 2004, the Company has undergone a significant recapitalization pursuant to which Toucan Capital Fund II, L.P. ("Toucan Capital") loaned the Company an aggregate of $6.75 million and Toucan Partners, LLC ("Toucan Partners") loaned the Company an aggregate of $4.825 million (excluding $225,000 in proceeds from a demand note that was received on June 13, 2007 and repaid on June 27, 2007). The Board's Chairperson is the managing director of Toucan Capital and the managing member of Toucan Partners. During this period of time, the Company also borrowed funds from certain members of management. In addition, the Company raised capital in March 2006 through a closed equity financing with unrelated investors (the "PIPE Financing"), in June 2007 sold shares of Common Stock to foreign institutional investors and in May 2008 borrowed $4 million from Al Rajhi Holdings W.L.L. ("Al Rajhi"),which beneficially owns greater than 10% of our issued and outstanding common stock.

Management Loans

On November 13, 2003, the Company borrowed an aggregate of $335,000 from certain members of its management and issued warrants to acquire an aggregate of approximately 247,000 shares of Common Stock at an exercise price of $0.60 per share, which enabled the Company to continue operating into the first quarter of 2004. As of December 31, 2005, $111,000 of outstanding principal balance and the related accrued interest was repaid to certain prior members of management. On April 17, 2006, the final $224,000 of outstanding principal balance on these notes, and the related accrued interest, was converted into 146,385 and 32,796 shares, respectively, of our Common Stock, and in conjunction with the PIPE Financing, members of management exercised their warrants (200% warrant coverage) on a net exercise basis for 126,365 and 28,311 shares of our Common Stock, respectively. Accordingly, as of December 31, 2006, all of these loans were either repaid or converted into Common Stock.

During March and April 2006, warrants for the purchase of an aggregate of approximately 247,000 shares of Common Stock were exercised on a net exercise basis resulting in the issuance of approximately 227,000 shares of Common Stock to current and prior members of management.

Two former members of the Company's management, who had participated as lenders in the Company's management loans, have claimed that they are entitled to receive, for no additional cash consideration, an aggregate of up to approximately 630,000 additional shares of Common Stock due to the alleged triggering of an anti-dilution provision in the warrant agreements. The Company does not believe that these claims have merit, and intends to vigorously defend such claims.

Toucan Capital and Toucan Partners

Toucan Capital loaned the Company an aggregate of $6.75 million during 2004 and 2005. On January 26, 2005, the Company entered into a securities purchase agreement with Toucan Capital pursuant to which it purchased 32.5 million shares of the Company's Series A cumulative convertible preferred stock (the "Series A Preferred Stock") at a purchase price of $0.04 per share, for a net purchase price of $1.276 million, net of offering related costs of approximately $24,000. In April 2006, the $6.75 million of notes payable plus all accrued interest due to Toucan Capital were converted into shares of the Company's Series A-1 cumulative convertible Preferred Stock (the "Series A-1 Preferred Stock").

Toucan Partners loaned the Company $4.825 million in a series of transactions. From November 14, 2005 through March 9, 2006, the Company issued three promissory notes to Toucan Partners, pursuant to which Toucan Partners loaned the Company an aggregate of $950,000. In addition to the $950,000 of promissory notes, Toucan Partners provided $3.15 million in cash advances from October 2006 through April 2007, which were converted into convertible notes (the "2007 Convertible Notes") and related warrants (the "2007 Warrants") in April 2007. In April 2007, the three promissory notes were amended and restated to conform to the 2007 Convertible Notes. Payment was due under the notes upon written demand on or after June 30, 2007. Interest accrued at 10% per annum, compounded annually, on a 365-day year basis. The principal amount of, and accrued interest on, these notes, as amended, was convertible at Toucan Partners' election into Common Stock on the same terms as the 2007 Convertible Notes.

The Company and Toucan Partners also entered into two promissory notes to fix the terms of two additional cash advances provided by Toucan Partners to the Company on May 14, 2007 and May 25, 2007 in the aggregate amount of $725,000, and issued warrants to purchase shares of the Company's capital stock to Toucan Partners in connection with each such note. These notes and warrants are on the same terms as the 2007 Convertible Notes and 2007 Warrants and the proceeds of these notes enabled the Company to continue to operate and advance programs while raising additional equity financing.

During the fourth quarter of 2007, the Company repaid $5.3 million of principal and related accrued interest due to Toucan Partners pursuant to the convertible notes.

On August 19, 2008, the Company entered into a loan agreement with Toucan Partners, under which Toucan Partners provided the Company with debt financing in the amount of $1.0 million ("the "Toucan Loan"). Under the terms of the Toucan Loan, the Company received $1.0 million in return for an unsecured promissory note in the principal amount of $1,060,000 (reflecting an original issue discount of six percent, or $60,000). The Toucan Loan has a term of six months. The note may be paid at any time without a prepayment penalty and the term may be extended in Toucan Partners discretion upon the Company's request. Toucan Partners may elect to have the original issue discount amount paid at maturity in shares of common stock, at a price per share equal to the average closing price of the Company's common stock on the NASD Over-The-Counter Bulletin Board during the ten trading days prior to the execution of the loan agreement. The intrinsic value of the Toucan Loan did not result in a beneficial conversion feature.

Conversion of Preferred Stock and Related Matters

On June 1, 2007, the Company issued to Toucan Capital a new warrant to purchase the Company's Series A-1 Preferred Stock ("Toucan Capital Series A-1 Warrant") in exchange for the cancellation of all previously issued warrants to purchase Series A-1 Preferred Stock (or, at the election of Toucan Capital, any other equity or debt security of the Company) held by Toucan Capital. The new Toucan Capital Series A-1 Warrant was exercisable for 6,471,333 shares of Series A-1 Preferred Stock plus shares of Series A-1 Preferred Stock attributable to accrued dividends on the shares of Series A-1 Preferred Stock held by Toucan Capital (with each such Series A-1 Preferred Share convertible into 2.67 shares of Common Stock at $0.60 per share), compared to the 3,062,500 shares of Series A-1 Preferred Stock (with each such Series A-1 Preferred Share convertible into 2.67 shares of Common Stock at $0.60 per share) that were previously issuable to Toucan Capital upon exercise of the warrants being cancelled.

Also on June 1, 2007, the Company and Toucan Capital amended Toucan Capital's warrant to purchase Series A Preferred Stock (the "Toucan Capital Series A Warrant") to increase the number of shares of Series A Preferred Stock that are issuable upon exercise of the warrant to 32,500,000 shares of Series A Preferred Stock (plus shares of Series A Preferred Stock attributable to accrued dividends on the shares of Series A Preferred Stock held by Toucan Capital) from 13,000,000 shares of Series A Preferred Stock.

In connection with the modifications of the Series A and Series A-1 Preferred Stock warrants, the Company recognized reductions in earnings applicable to common stockholders in June 2007 of $2.3 million and $16.4 million, respectively. The fair value of the warrant modifications were determined using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, risk-free interest rate of 5.0% volatility of 398%, and a contractual life of seven years.

On June 15, 2007, the Company, Toucan Capital, and Toucan Partners entered into a conversion agreement ("Conversion Agreement") which became effective on June 22, 2007 upon the admission of the Company's Common Stock to trade on Alternative Investment Market ("AIM") of the London Stock Exchange ("Admission").

Pursuant to the terms of the Conversion Agreement (i) Toucan Capital agreed to convert and has converted all of its shares of the Company's Series A Preferred Stock and Series A-1 Preferred Stock (in each case, excluding any accrued and unpaid dividends) into Common Stock and agreed to eliminate a number of rights, preferences and protections associated with the Series A Preferred Stock and Series A-1 Preferred Stock, including the liquidation preference entitling Toucan Capital to certain substantial cash payments and (ii) Toucan Partners agreed to eliminate all of its existing rights to receive Series A-1 Preferred Stock under certain notes and warrants (and thereafter to receive shares of Common Stock rather than shares of Series A-1 Preferred Stock), and the rights, preferences and protections associated with the Series A-1 Preferred Stock, including the liquidation preference that would entitle Toucan Partners to certain substantial cash payments. In return for these agreements, the Company issued to Toucan Capital and Toucan Partners 4,287,851 and 2,572,710 shares of Common Stock, respectively. In connection with the issuance of these shares, the Company recognized a further reduction of earnings applicable to common stockholders of $12.3 million in June 2007.

Under the terms of the Conversion Agreement (i) the Toucan Capital Series A Warrant is exercisable for 2,166,667 shares of Common Stock rather than shares of Series A Preferred Stock (plus shares of Common Stock, rather than shares of Series A Preferred Stock, attributable to accrued dividends on the shares of Series A Preferred Stock previously held by Toucan Capital that were converted into Common Stock upon Admission, subject to the further provisions of the Conversion Agreement as described below) and (ii) the Toucan Capital Series A-1 Warrant became exercisable for an aggregate of 17,256,888 shares of Common Stock rather than shares of Series A-1 Preferred Stock (plus shares of Common Stock, rather than shares of Series A-1 Preferred Stock, attributable to accrued dividends on the shares of Series A-1 Preferred Stock previously held by Toucan Capital that were converted into Common Stock upon Admission), subject to further provisions of the Conversion Agreement as described below.

As noted above, the 32,500,000 shares of Series A Preferred Stock held by Toucan Capital converted, in accordance with their terms, into 2,166,667 shares of Common Stock and the 4,816,863 shares of Series A-1 Preferred Stock held by Toucan Capital converted, in accordance with their terms, into 12,844,968 shares of Common Stock.

Under the terms of the Conversion Agreement, Toucan Capital also agreed to temporarily defer receipt of the accrued and unpaid dividends on its shares of Series A Preferred Stock and Series A-1 Preferred Stock of an amount equal to $334,340 and $917,451, respectively, until not later than September 30, 2007. In September 2007, the Company paid these dividends in full to Toucan Capital.

As a result of the financings described above, as of June 30, 2008, Toucan Capital held:

- an aggregate of 19,299,486 shares of Common Stock;
- warrants to purchase 14,150,732 shares of Common Stock at an exercise price of $0.60 per share; and
- warrants to purchase 7,884,357 shares of Common Stock at an exercise price of $0.15 per share.

As a result of the financings described above, as of June 30, 2008, Toucan Partners held:

- an aggregate of 2,572,710 shares of Common Stock; and
- warrants to purchase 8,832,541 shares of Common Stock at an exercise price of $0.60 per share.

The investments made by Toucan Capital and Toucan Partners were made pursuant to the terms and conditions of a Recapitalization Agreement originally entered into on April 26, 2004 with Toucan Capital (the "Recapitalization Agreement"). The Recapitalization Agreement originally contemplated the investment of up to $40 million through the issuance of new securities to Toucan Capital and a syndicate of other investors to be determined.

We and Toucan Capital amended the Recapitalization Agreement in conjunction with each successive loan agreement. The amendments generally (i) updated certain representations and warranties of the parties made in the Recapitalization Agreement, and (ii) made certain technical changes in the Recapitalization Agreement in order to facilitate the bridge loans described therein.

As of June 30, 2008, Toucan Capital, including the holdings of Toucan Partners, held 21,872,196 shares of our capital stock, representing approximately 51.5% of our outstanding Common Stock. Further, as of June 30, 2008, Toucan Capital, including the holdings of Toucan Partners, beneficially owned (including unexercised warrants) 52,739,826 shares of our capital stock, representing a beneficial ownership interest of approximately 71.9%.

Private Placement

On March 30, 2006, the Company entered into a securities purchase agreement (the "Purchase Agreement") with a group of accredited investors pursuant to which the Company agreed to sell an aggregate of approximately 2.6 million shares of its Common Stock, at a price of $2.10 per share, and to issue, for no additional consideration, warrants to purchase up to an aggregate of approximately 1.3 million shares of the Company's Common Stock. The PIPE Financing closed and stock was issued to the new investors in early April and the Company received gross proceeds of approximately $5.5 million, before cash offering expenses of approximately $442,000. The total cost of the offering recorded, including both cash and non-cash costs, was approximately $837,000. The relative fair value of the Common Stock was estimated to be approximately $3.7 million and the relative fair value of the warrants was estimated to be $1.8 million as determined based on the relative fair value allocation of the proceeds received. The warrants were valued using the Black-Scholes option pricing model.

In connection with the securities purchase agreement, the Company issued approximately 67,000 warrants to its investment bank valued at approximately $395,000. The fair value of the warrants issued to the investment bank was determined using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 4.8%, contractual life of five years, expected volatility of 382% and a dividend yield of 0%.

The warrants expire five years after issuance, and are initially exercisable at a price of $2.10 per share, subject to adjustments under certain circumstances.

Placement of Common Stock with Foreign Institutional Investors

On June 22, 2007, we placed 15,789,473 shares of our Common Stock with foreign institutional investors at a price of £0.95 per share. The gross proceeds from the placement were approximately £15.0 million, or $29.9 million, while net proceeds from the offering, after deducting commissions and expenses, were approximately £13.0 million, or $25.9 million. The net proceeds from the placement were used to fund clinical trials, product and process development, working capital needs and repayment of certain existing debt.

Shareholder Loan

On May 12, 2008, the Company entered into a loan agreement with Al Rajhi, under which Al Rajhi provided the Company with debt financing in the amount of $4.0 million (the "Loan"). Under the terms of the Loan, the Company received $4.0 million in return for an unsecured promissory note in the principal amount of $4,240,000 (reflecting an original issue discount of six percent, or $240,000). The Loan has a term of six months. The note may be paid at any time without a prepayment penalty and the term may be extended in Al Rajhi's discretion upon the Company's request. At June 30, 2008, the carrying value of the Loan was $4,069,000, net of unamortized discount of $171,000. The Company amortizes the discount using the effective interest method over the term of the Loan. During the three months ended June 30, 2008, the Company recorded interest expense related to the amortization of the discount of $69,000. Al Rajhi may elect to have the original issue discount amount paid at maturity in shares of Common Stock, at a price per share equal to the average closing price of the Company's Common Stock on the NASD Over-The-Counter Bulletin Board during the ten trading days prior to the execution of the Loan agreement. The intrinsic value of the Loan did not result in a beneficial conversion feature.

Liability For Potentially Dilutive Securities in Excess of Authorized Number of Common Shares

In accordance with EITF 00-19, the Company accounts for potential shares that can be converted to Common Stock, that are in excess of authorized shares, as a liability that is recorded at fair value. Total potential outstanding Common Stock exceeded the Company's authorized shares as of December 31, 2005 when the Company entered into another convertible promissory note and warrant agreement with Toucan Partners on December 30, 2005. The fair value of the warrants in excess of the authorized shares at December 31, 2005 totaling approximately $604,000 was recognized as a liability on December 31, 2005. This liability was required to be remeasured at each reporting date with any change in value included in other income/expense until such time as enough shares were authorized to cover all potentially convertible instruments. Accordingly, during the first quarter of 2006, the Company recognized a loss totaling $2.1 million with respect to the revaluation of this warrant liability. Further, during March 2006, the Company issued an additional warrant to Toucan Partners, along with a convertible promissory note. The fair value of the warrants in excess of the authorized shares was approximately $6.7 million and was recognized as an additional liability as of March 31, 2006. During April 2006, the Company sold Common Stock to outside investors in the Pipe Financing. In addition, members of management and Toucan Capital elected to convert their promissory notes and related accrued interest into Common Stock and Series A-1 Preferred Stock, respectively. As a result, the fair value of the potential Common Stock in excess of the authorized shares was $24.4 million and was recognized as an additional liability during April 2006.

Effective May 25, 2006, the number of authorized common shares was increased to 800 million. The liability for potential shares in excess of total authorized shares was revalued at that date. This valuation resulted in a gain of approximately $7.1 million during 2006, due to the net decreases in the net fair value of the related warrants on the date the authorized shares were increased. This gain is included in the 2006 consolidated statement of operations as a warrant valuation.

Going Concern

As of August 19, 2008, we had approximately $1.1 million of cash on hand. We estimate that our available cash is sufficient to support our day to day operations through the end of September 2008. We need to raise additional capital to fund our clinical trials and other operating activities and repay our indebtedness under the Loan and the Toucan Loan described in Note 10 "Subsequent Events". The amount of additional funding required will depend on many factors, including the speed with which we are able to identify and hire people to fill key positions, the speed of patient enrollment in our DCVax®-Brain cancer trial, and the potential adoption of DCVax®-Brain in the selected hospitals in Switzerland, and unanticipated developments, including adverse developments in pending litigation matters. However, without additional capital, we will not be able to complete our DCVax®-Brain clinical trial or move forward with any of our other product candidates for which investigational new drug applications have been cleared by the U.S. Food and Drug Administration, or FDA. We will also not be to develop our second generation manufacturing processes, which offer substantial product cost reductions.

We will require additional funding before we achieve profitability. We are in late stage discussions with several parties in regard to additional financing transactions, which we hope to complete later in the year. There can be no assurance that our efforts to seek such funding will be successful. We may raise additional funds by issuing additional common stock or securities (equity or debt) convertible into shares of Common Stock, in which case, the ownership interest of our stockholders will be diluted. Any debt financing, if available, is likely to include restrictive covenants that could limit our ability to take certain actions. Further, we may seek funding from Toucan Capital or Toucan Partners or their affiliates or other third parties. Such parties are under no obligation to provide us any additional funds, and any such funding may be dilutive to stockholders and may contain restrictive covenants. We currently are exploring additional financings with several other parties; however, there can be no assurance that we will be able to complete any such financings, or that the terms of such financings will be attractive to us. If our capital raising efforts are unsuccessful, our inability to obtain additional cash as needed could have a material adverse effect on our financial position, results of operations and our ability to continue our existence. Our independent registered public accounting firm has indicated in its report on our consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2007 that there is substantial doubt about our ability to continue as a going concern.

6. Net Income (Loss) Per Share Applicable to Common Stockholders

Effective June 19, 2007, all shares of Common Stock issued and outstanding were combined and reclassified on a one-for-fifteen basis (the "Reverse Stock Split"). The effect of the Reverse Stock Split has been retroactively applied to all periods presented in the accompanying condensed consolidated financial statements and notes thereto.

For the three months ended June 30, 2008 and 2007, respectively, options to purchase 5,600,000 and 51,000 shares of Common Stock and warrants to purchase 32 million shares of Common Stock were not included in the computation of diluted net loss per share because they were antidilutive. For the six months ended June 30, 2008 and 2007, respectively, options to purchase 5,600,000 and 51,000 shares of Common Stock and warrants to purchase 32 million shares of Common Stock were not included in the computation of diluted net loss per share because they were antidilutive.

7. Related Party Transactions

Cognate Agreement

On July 30, 2004, the Company entered into a service agreement with Cognate Therapeutics, Inc. (now known as Cognate BioServices, Inc., or Cognate), a contract manufacturing and services organization in which Toucan Capital has a majority interest. In addition, two of the principals of Toucan Capital are members of Cognate's board of directors and, on May 17, 2007, the managing director of Toucan Capital was appointed to serve as a director of the Company and to serve as the non-executive Chairperson of the Company's Board of Directors. Under the service agreement, the Company agreed to utilize Cognate's services for an initial two-year period, related primarily to manufacturing DCVax® product candidates, regulatory advice, research and development preclinical activities and managing clinical trials. The agreement expired on July 30, 2006; however, the Company continued to utilize Cognate's services under the same terms as set forth in the expired agreement. On May 17, 2007, the Company entered into a new service agreement with Cognate pursuant to which Cognate will provide certain consulting and, when needed, manufacturing services to the Company for its DCVax®-Brain Phase II clinical trial. Under the terms of the new contract, the Company paid a non-refundable contract initiation fee of $250,000 and committed to pay budgeted monthly service fees of $400,000, subject to quarterly true-ups, and monthly facility fees of $150,000. The Company may terminate this agreement with 180 days notice and payment of all reasonable wind-up costs and Cognate may terminate the contract in the event that the brain cancer clinical trial fails to complete enrollment by July 1, 2009. However, if such termination by the Company occurs at any time prior to the earlier of the submission of an FDA biological license application/new drug application on the Company's brain cancer clinical trial or July 1, 2010 or, such termination by Cognate results from failure of the brain cancer clinical trial to complete patient enrollment by July 1, 2009, the Company is obligated to make an additional termination fee payment to Cognate equal to $2 million.

During the three months ending June 30, 2008 and 2007, the Company recognized approximately $2.3 million and $1.7 million, respectively, of research and development costs related to these service agreements. During the six months ending June 30, 2008 and 2007, respectively, the Company recognized approximately $4.1 million and $2.4 million of research and development costs related to these service agreements. As of June 30, 2008 and December 31, 2007, the Company owed Cognate approximately $283,000 and $0, respectively.

Toucan Capital Management

In accordance with a recapitalization agreement dated April 26, 2004 between the Company and Toucan Capital, as amended and restated on July 30, 2004 and further amended ten times between October 22, 2004 and November 14, 2005, pursuant to which Toucan Capital agreed to recapitalize the Company by making loans to the Company, the Company accrued and paid certain legal and other administrative costs on Toucan Capital's behalf. Pursuant to the terms of the Conversion Agreement discussed above, the recapitalization agreement was terminated on June 22, 2007. Subsequent to the termination of the recapitalization agreement, Toucan Capital continues to incur costs on behalf of the Company. These costs primarily relate to consulting costs and travel expenses incurred in support of the Company's international expansion efforts. In addition, since July 1, 2007, the Company has paid and recorded rent expense due to Toucan Capital Corporation, an affiliate of Toucan Capital and Toucan Partners, for its office space in Bethesda, Maryland.

During the three months ending June 30, 2008 and 2007, respectively, the Company recognized approximately $148,000 and $540,000 of general and administrative costs related to the recapitalization agreement, rent expense, as well as legal, travel and other costs incurred by Toucan Capital on the Company's behalf. During the six months ending June 30, 2008 and 2007, respectively, the Company recognized approximately $298,000 and $558,000 of general and administrative costs related to the recapitalization agreement, rent expense, as well as legal, travel and other costs incurred by Toucan Capital on the Company's behalf. At June 30, 2008 and December 31, 2007, accrued expense payable to Toucan Capital amounted to $50,000 and $900,000, respectively, and are included in the accompanying consolidated balance sheets.

On August 19, 2008, the Company entered into a loan agreement with Toucan Partners, under which Toucan Partners provided the Company with debt financing in the amount of $1.0 million ("the "Toucan Loan"). Under the terms of the Toucan Loan, the Company received $1.0 million in return for an unsecured promissory note in the principal amount of $1,060,000 (reflecting an original issue discount of six percent, or $60,000). The Toucan Loan has a term of six months. The note may be paid at any time without a prepayment penalty and the term may be extended in Toucan Partners discretion upon the Company's request. Toucan Partners may elect to have the original issue discount amount paid at maturity in shares of common stock, at a price per share equal to the average closing price of the Company's common stock on the NASD Over-The-Counter Bulletin Board during the ten trading days prior to the execution of the loan agreement. The intrinsic value of the Toucan Loan did not result in a beneficial conversion feature.

Al Rajhi

See "Shareholder Loan" in Note 5 above.

8. Contingencies

Private Placement

On March 30, 2006, the Company entered into a securities purchase agreement (the "Purchase Agreement") with a group of accredited investors pursuant to which the Company sold an aggregate of approximately 2.63 million shares of its Common Stock, at a price of $2.10 per share (the "PIPE Shares"), and issued, for no additional consideration, warrants to purchase up to an aggregate of approximately 1.3 million shares of Company's Common Stock (the "Warrant Shares").

Under the Purchase Agreement, the Company agreed to register for resale under the Securities Act of 1933, as amended (the "Securities Act"), both the PIPE Shares and the Warrant Shares. The Company also agreed to other customary obligations regarding registration, including matters relating to indemnification, maintenance of the registration statement, payment of expenses, and compliance with state "blue sky" laws. The Company may be liable for liquidated damages if the registration statement (after being declared effective) ceases to be effective in a manner, and for a period of time, that violates the Company's obligations under the Purchase Agreement. The amount of the liquidated damages payable to the investors is, in aggregate, one percent (1%) of the aggregate purchase price of the shares per month, subject to a cap of ten percent (10%) of the aggregate purchase price of the shares.

As of April 30, 2008, the Company's registration statement ceased to be effective. The Company filed a post-effective amendment to the registration statement on April 29, 2008 which was declared effective by the SEC on May 7, 2008. Therefore, liquidated damages accrued for the period between May 1, 2008 and May 6, 2008. In addition, liquidated damages were accrued for the period from April 30, 2007 to February 8, 2008 when the Company's registration statement ceased to be effective. As of June 30, 2008, the Company has accrued liquidated damages amounting to an aggregate of approximately $180,000, $12,353 of which was expensed during the six months ended June 30,2008.

Legal Proceedings

Soma Arbitration

The Company signed an engagement letter, dated October 15, 2003, with Soma Partners, LLC, or Soma, a New Jersey-based investment bank, pursuant to which the Company engaged them to locate potential investors. Pursuant to the terms of the engagement letter, any disputes arising between the parties would be submitted to arbitration in the New York metropolitan area. A dispute arose between the parties. Soma filed an arbitration claim against us with the American Arbitration Association in New York, NY claiming unpaid commission fees of $186,000 and seeking declaratory relief regarding potential fees for future transactions that may be undertaken by us with Toucan Capital. We vigorously disputed Soma's claims on multiple grounds. We contended that we only owed Soma approximately $6,000.

Soma subsequently filed an amended arbitration claim, claiming unpaid commission fees of $339,000 and warrants to purchase 6% of the aggregate securities issued to date, and seeking declaratory relief regarding potential fees for future financing transactions which may be undertaken by us with Toucan Capital and others, which could potentially be in excess of $4 million. Soma also requested the arbitrator award its attorneys' fees and costs related to the proceedings. We strongly disputed Soma's claims and defended ourselves.

The arbitration proceedings occurred from March 8-10, 2005 and on May 24, 2005, the arbitrator ruled in our favor and denied all claims of Soma. In particular, the arbitrator decided that we did not owe Soma the fees and warrants sought by Soma, that we would not owe Soma fees in connection with future financings, if any, and that we had no obligation to pay any of Soma's attorneys' fees or expenses. The arbitrator agreed with us that the only amount we owed Soma was $6,702.87, which payment we made on May 27, 2005.

On August 29, 2005, Soma filed a notice of petition to vacate the May 24, 2005 arbitration award with the Supreme Court of the State of New York. On December 30, 2005, the Supreme Court of the State of New York dismissed Soma's petition.

On February 3, 2006, Soma filed another notice of appeal with the Supreme Court of the State of New York. On December 6, 2006, we filed our brief for this appeal and on December 12, 2006, Soma filed its reply brief. On June 19, 2007, the Appellate Division, First Department of the Supreme Court of the State of New York, reversed the December 30, 2005 decision and ordered a new arbitration proceeding. On July 26, 2007, we filed a Motion for Leave to Appeal with the Court of Appeals of the State of New York and on August 3, 2007 Soma filed its reply brief. On October 16, 2007, the Court of Appeals of the State of New York denied our motion to appeal. We intend to continue to vigorously defend ourselves against Soma's claims.

Lonza Patent Infringement Claim

On July 27, 2007, Lonza Group AG ("Lonza") filed a complaint against us in the U. S. District Court for the District of Delaware alleging patent infringement relating to recombinant DNA methods, sequences, vectors, cell lines and host cells. The complaint sought temporary and permanent injunctions enjoining us from infringing Lonza's patents and unspecified damages. We strongly disputed all of the claims in Lonza's complaint, sought dismissal of the complaint and also filed counterclaims against Lonza for damages. On November 27, 2007, the complaint was dismissed by the U.S. District Court for the District of Delaware. Also on November 27, 2007, a new complaint was filed by Lonza in the U.S. District Court for the District of Maryland alleging the same patent infringement relating to recombinant DNA methods, sequences, vectors, cell lines and host cells by the Company's DCVax® product candidates. On December 13, 2007, Lonza withdrew all claims relating to all of our products other than our DCVax®-Prostate product. our continued to dispute these remaining claims and seek dismissal of them. On April 14, 2008, we and Lonza entered into a binding agreement to settle the dispute. Under the terms of the settlement, we did not pay any monetary or other consideration to Lonza nor did we acquire any license from Lonza. The only action to which we agreed was to destroy any recombinant modified prostate specific membrane antigen or cell lines using Lonza'a GS Expression System currently in our possession which had been manufactured by and purchased from Medarex Inc. more than six years ago, as well as any documentation received from Medarex on know–how regarding the use of the GS Expression System and cell lines. On May 14, 2008 the parties filed a Joint Stipulation of Dismissal of the Lawsuit with Prejudice, including all claims and counterclaims therein.

Stockholder Class Action Lawsuits

On August 13, 2007, a complaint was filed in the U.S. District Court for the Western District of Washington naming the Company, the Chairperson of its Board of Directors, Linda F. Powers, and its Chief Executive Officer, Alton L. Boynton, as defendants in a class action for violation of federal securities laws. After this complaint was filed, five additional complaints were filed in other jurisdictions alleging similar claims. The complaints were filed on behalf of purchasers of the Company's Common Stock between July 9, 2007 and July 18, 2007 and allege violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The complaints seek unspecified compensatory damages, costs and expenses. On December 18, 2007, a consolidated complaint was filed in the U.S. District Court for the Western District of Washington consolidating the stockholder actions previously filed. We dispute these claims and intend to vigorously defend these actions.

SEC Inquiry

On August 13, 2007, we were notified that the SEC had initiated a non-public informal inquiry regarding the events surrounding our application for Swiss regulatory approval and related press releases dated July 9, 2007 and July 16, 2007. On March 3, 2008, the Company was notified that the SEC had initiated a formal investigation regarding this matter. We have been cooperating with the SEC in connection with the inquiry, and will continue to do so.

Management Warrants

On November 13, 2003, we borrowed an aggregate of $335,000 from certain members of our management. As part of the consideration for this loan, the lenders received warrants exercisable to acquire an aggregate of 0.25 million shares of our Common Stock. From March 2006 through May 2006, all of these warrants were exercised for Common Stock on a net exercise basis, pursuant to the terms of the warrants.

Two former members of management who had participated as lenders in our management loans have claimed that they are entitled to receive, for no additional cash consideration, an aggregate of up to approximately 630,000 additional shares of our Common Stock due to the alleged triggering of an anti-dilution provision in the warrant agreements. We do not believe that these claims have merit and, in the event such claims are pursued, we intend to vigorously defend against them.

We have no other legal proceedings pending at this time.

9. Common Stock

During the six months ended June 30, 2008, the Company issued 24,578 shares of common stock upon the cashless exercise of options to purchase 33,334 shares of common stock.

On June 17, 2008, the Company issued 122,190 shares of common stock pursuant to a letter agreement under which we received an exclusive right to negotiate the terms of a potential transaction in which we would obtain the rights, title and interest to and under a certain license agreement. The fair value of the stock issued amounting to $225,000 is recorded as a prepaid expense at June 30, 2008, since the license agreement is expected to benefit future periods.

10. Subsequent Events

On August 19, 2008, the Company entered into a loan agreement with Toucan Partners, under which Toucan Partners provided the Company with debt financing in the amount of $1.0 million (the "Toucan Loan"). Under the terms of the Toucan Loan, the Company received $1.0 million in return for an unsecured promissory note in the principal amount of $1,060,000 (reflecting an original issue discount of six percent, or $60,000). The Toucan Loan has a term of six months. The note may be paid at any time without a prepayment penalty and the term may be extended in Toucan Partners discretion upon the Company's request. Toucan Partners may elect to have the original issue discount amount paid at maturity in shares of common stock, at a price per share equal to the average closing price of the Company's common stock on the NASD Over-The-Counter Bulletin Board during the ten trading days prior to the execution of the loan agreement. The intrinsic value of the Toucan Loan did not result in a beneficial conversion feature.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to those statements included with this report. In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "believe," "expect," "intend," "anticipate," and similar expressions are used to identify forward-looking statements, but some forward-looking statements are expressed differently. Many factors could affect our actual results, including those factors described under "Risk Factors" elsewhere in this report. These factors, among others, could cause results to differ materially from those presently anticipated by us. You should not place undue reliance on these forward-looking statements.

Overview

Northwest Biotherapeutics, Inc. was formed in 1996 and incorporated in Delaware in July 1998. We are a development stage biotechnology company focused on discovering, developing, and commercializing immunotherapy products that safely generate and enhance immune system responses to effectively treat cancer. Currently approved cancer treatments are frequently ineffective, can cause undesirable side effects and provide marginal clinical benefits. Our approach in developing cancer therapies utilizes our expertise in the biology of dendritic cells, which are a type of white blood cell that activate the immune system. Our primary activities since incorporation have been focused on advancing proprietary dendritic cell immunotherapies for prostate and brain cancer, together with strategic and financial planning, and raising capital to fund our operations.

We have two basic technology platforms applicable to cancer therapeutics: dendritic cell-based cancer vaccines, which we call DCVax®, and monoclonal antibodies for cancer therapeutics. DCVax® is our registered trademark. Our DCVax® dendritic cell-based cancer vaccine program is our main technology platform.

Our platform technology, DCVax®, uses a patient's own dendritic cells, the starter engine of the immune system. The dendritic cells are extracted from the body, loaded with tumor biomarkers or "antigens," thereby creating a personalized therapeutic vaccine. Injection of these cells back into the patient initiates a potent immune response against cancer cells, resulting in delayed time to progression and prolonged survival.

We are currently recruiting patients with newly diagnosed GBM in a 240 patient Phase II DCVax®-Brain clinical trial. Subject to our receipt of sufficient funding to carry out the study we plan to carry out the study at 40 to 50 clinical sites. The study was initially designed as a 141 patient randomized study, in which patients received either DCVax®-Brain in addition to standard of care or standard of care alone. However, patients were reluctant to enroll in the study when faced with a 33% chance of being randomized into the control arm of the study under which they would receive standard of care alone. In order to address this issue we have redesigned the study as a randomized, placebo controlled, double blinded study with a cross-over arm allowing control patients to be treated with DCVax®-Brain in the event that their cancer progresses. As of August 4, 2008, 11 sites are active and a further 31 sites are at various stages of the start-up process. Depending on trial results, we plan to seek product approval in both the U.S. and the E.U.

DCVax®-Brain has been granted orphan drug status in the U.S., the European Union and Switzerland. Such status will afford DCVax®-Brain 7 years of market exclusivity in the U.S. and 10 years in the European Union and Switzerland, if DCVax®-Brain is the first product of its type to reach product approval.

We are also conducting a Phase I/II clinical trial using DCVax®-L for recurrent ovarian cancer at The University of Pennsylvania Center for Research on Early Detection and Cure of Ovarian Cancer and the Abramson Cancer Center. The trial involves two sequential studies, and comprises an innovative combination of multiple treatment modalities. DCVax®-L forms the cornerstone of the treatment regimen, and is complemented by administration of low doses of certain existing approved drugs to help improve the immune system environment, as well as by adoptive transfer of patients' DCVax®-L primed T cells. The funding for the study is being provided by the Ovarian Cancer Vaccine Initiative (a private philanthropic organization).

In February 2007, we, through our legal representative, applied to the Bundesamt für Gesundheit ("BAG" or "Office Fédéral de la Santé Publique") in Switzerland for an Authorization for Use ("Autorisation"). In June 2007, we, through our legal representative, received such Autorisation from the BAG to make DCVax®-Brain available at limited selected medical centers in Switzerland, as well as an authorization ("Autorisation pour activités transfrontalières avec des transplants") to export patients' cells and tissues from Switzerland, for vaccine manufacturing in the United States, and to import patients' DCVax®-Brain finished vaccines into Switzerland. These authorizations are conditional upon certain implementation commitments which must be fulfilled to the satisfaction of Swissmedic ("Institut Suisse des Agents Thérapeutiques") before the product may be made available (e.g., finalizing our arrangements for a clean-room suite for processing of patients' immune cells). We believe we have fulfilled these commitments and are awaiting Swissmedic confirmation.

In the BAG's processing of and decision on our application and data with respect to the authorizations described above, Swissmedic conducted an inspection of our facilities. A comprehensive evaluation of DCVax®-Brain will be conducted by Swissmedic during its processing of our Marketing Authorization Application ("MAA") which we filed with Swissmedic in December 2007. The assessment by Swissmedic of our MAA will include a full review by Swissmedic of the safety and efficacy data generated in our DCVax®-Brain clinical studies to date. This review is currently underway and we are addressing enquiries from Swissmedic concerning our application. This review is likely to take at least one year from our submission in December 2008. Until such a Market Authorization is granted, and assuming we complete our implementation commitments to the satisfaction of Swissmedic, DCVax®-Brain may only be made available at the selected Medical Centers in Switzerland under the Autorisation granted by the BAG. The term of the BAG Autorisation is five years from June 2007.

We completed an initial public offering of our common stock on the NASDAQ Stock Market ("NASDAQ") in December 2001 and an initial public offering of our common stock on the Alternative Investment Market ("AIM") of the London Stock Exchange in June 2007.

As described in further detail elsewhere in this report, since 2004 we have undergone a significant recapitalization pursuant to which (i) Toucan Capital Fund II, L.P. ("Toucan Capital") loaned us an aggregate of $6.75 million, which notes payable and accrued interest thereon were converted into shares of our Series A-1 cumulative convertible preferred stock (the "Series A-1 Preferred Stock") in April 2006 and subsequently converted into common stock in June 2007; and (ii) Toucan Partners, LLC ("Toucan Partners") loaned us an aggregate of $4.825 million (excluding $225,000 in proceeds from a demand note that was received on June 13, 2007 and repaid on June 27, 2007), which borrowings have, in a series of transactions, been converted into convertible notes with an aggregate outstanding principal of $4.825 million and related warrant coverage. In the fourth quarter of 2007, we repaid all of the remaining outstanding principal and accrued interest pursuant to these convertible notes in the aggregate amount of $5.3 million to Toucan Partners.

In addition, on January 26, 2005, Toucan Capital purchased 32.5 million shares of our Series A cumulative convertible preferred stock (the "Series A Preferred Stock") at a purchase price of $0.04 per share, for a net purchase price of $1.276 million, net of offering related costs of approximately $24,000. In June 2007, this Series A Preferred Stock was converted into common stock.

On March 30, 2006, we sold approximately 2.6 million shares of common stock at a purchase price of $2.10 per share and raised aggregate gross proceeds of approximately $5.5 million in a closed equity financing with unrelated investors (the "PIPE Financing") The total cost of the offering recorded, including both cash and non-cash costs, was approximately $837,000.

On June 22, 2007, we placed 15,789,473 shares of our common stock with foreign institutional investors at a price of £0.95 per share. The gross proceeds from the placement were approximately £15.0 million, or $29.9 million, while net proceeds from the offering, after deducting commissions and expenses, were approximately £13.0 million, or $25.9 million.

On May 12, 2008, the Company entered into a loan agreement with Al Rajhi Holdings W.L.L. ("Al Rajhi") under which Al Rajhi provided the Company with debt financing in the amount of $4.0 million ("the "Loan"). Under the terms of the Loan, the Company received $4.0 million in return for an unsecured promissory note in the principal amount of $4,240,000 (reflecting an original issue discount of six percent, or $240,000). The Loan has a term of six months. The note may be paid at any time without a prepayment penalty and the term may be extended in Al Rajhi's discretion upon the Company's request. At June 30, 2008, the carrying value of the Loan was $4,069,000, net of unamortized discount of $171,000. The Company amortizes the discount using the effective interest method over the term of the Loan. During the three months ended June 30, 2008 the Company recorded interest expense related to the amortization of the discount of $69,000. Al Rajhi may elect to have the original issue discount amount paid at maturity in shares of common stock, at a price per share equal to the average closing price of the Company's Common Stock on the NASD Over-The-Counter Bulletin Board during the ten trading days prior to the execution of the Loan agreement. The intrinsic value of the Loan did not result in a beneficial conversion feature.

On August 19, 2008, the Company entered into a loan agreement with Toucan Partners, under which Toucan Partners provided the Company with debt financing in the amount of $1.0 million (the "Toucan Loan"). Under the terms of the Toucan Loan, the Company received $1.0 million in return for an unsecured promissory note in the principal amount of $1,060,000 (reflecting an original issue discount of six percent, or $60,000). The Toucan Loan has a term of six months. The note may be paid at any time without a prepayment penalty and the term may be extended in Toucan Partners' discretion upon the Company's request. Toucan Partners may elect to have the original issue discount amount paid at maturity in shares of common stock, at a price per share equal to the average closing price of the Company's common stock on the NASD Over-The-Counter Bulletin Board during the ten trading days prior to the execution of the loan agreement. The intrinsic value of the Toucan Loan did not result in a beneficial conversion feature.

As of August 19, 2008, we had approximately $1.1 million of cash on hand. We estimate that our available cash is sufficient to support our day to day operations through the end of September 2008. We need to raise additional capital to fund our clinical trials and other operating activities and to repay our indebtedness under the Loan and the Toucan Loan. We are in late stage discussions with several parties in regard to additional financing transactions with several other parties, which we hope to complete later this year. However, there can be no assurance that we will be able to complete any of the financings, or that the terms for such financings will be favorable to us. Our independent auditors have indicated in their report on our December 31, 2007 financial statements that there is substantial doubt about our ability to continue as a going concern. See " — Liquidity and Capital Resources" for additional information regarding our liquidity, cash flow and financings.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The critical accounting policies that involve significant judgments and estimates used in the preparation of our financial statements are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) expands the scope of acquisition accounting to all transactions under which control of a business is obtained. Among other things, SFAS 141(R) requires that contingent consideration as well as contingent assets and liabilities be recorded at fair value on the acquisition date, that acquired in-process research and development be capitalized and recorded as intangible assets at the acquisition date, and also requires transaction costs and costs to restructure the acquired company be expensed. SFAS 141(R) is effective on a prospective basis as of January 1, 2009. We are assessing the impact of the adoption of this standard on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS 160"). The statement changes how noncontrolling interests in subsidiaries are measured to initially be measured at fair value and classified as a separate component of equity. SFAS 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. No gains or losses will be recognized on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value all of the assets and liabilities, including goodwill, as if the entire target company had been acquired. The statement is to be applied prospectively for fiscal years beginning on or after December 15, 2008. We will adopt the statement on January 1, 2009. We are currently evaluating the impact the adoption of this statement will have, if any, on our consolidated financial position or results of operations.

In December 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on Issue No. 07-1 ("EITF 07-1"), *Accounting for Collaborative Arrangements*. EITF 07-1 is effective for the Company beginning January 1, 2009 and will be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. W e are assessing the impact of adoption of EITF 07-1 on our financial position and results of operations.

On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the required disclosures on fair value measurements. In February 2008, the FASB issued Staff Position 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), that deferred the effective date of SFAS 157 for one year for nonfinancial assets and liabilities recorded at fair value on a non-recurring basis. The effect of adoption of SFAS 157 for financial assets and liabilities recognized at fair value on a recurring basis did not have a material impact on the Company's financial position and results of operations (See Note 3). The Company is assessing the impact of the adoption of SFAS 157 for nonfinancial assets and liabilities on the Company's financial position and results of operations.

On January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits companies to irrevocably elect to measure certain financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The Company did not elect the fair value option under SFAS 159 for any of its financial assets or liabilities upon adoption.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"), which is effective January 1, 2009. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity's financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosure of the fair values of derivative instruments and associated gains and losses in a tabular format. Since SFAS 161 requires only additional disclosures about our derivatives and hedging activities, the adoption of SFAS 161 will not affect our financial position or results of operations should we acquire derivatives in the future.

In May 2008, the FASB issued Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ("FSP APB 14-1"). FSP APB 14-1 states that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of Accounting Principles Board Opinion No. 14 and that issuers of such instruments should account separately for the liability and equity components of the instrument in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and must be applied retrospectively to all periods presented. We are assessing the impact of the adoption of this standard on our financial position and results of operations.

Results of Operations

Operating expenses:

Operating costs and expenses consist primarily of research and development expenses, including clinical trial expenses, which increase when we are actively participating in clinical trials, and general and administrative expenses.

Research and development:

Discovery and preclinical research and development expenses include scientific personnel-related salary and benefit expenses, costs of laboratory supplies used in our internal research and development projects, travel, regulatory compliance, and expenditures for preclinical and clinical trial operation and management when we are actively engaged in clinical trials.

Because we are a development stage company, we do not allocate research and development costs on a project basis. We adopted this policy, in part, due to the unreasonable cost burden associated with accounting at such a level of detail and our limited number of financial and personnel resources. We shifted our focus, starting in 2002, from discovering, developing, and commercializing immunotherapy products to conserving cash and primarily concentrating on securing new working capital to re-activate our two DCVax® clinical trial programs.

General and administrative:

General and administrative expenses include administrative personnel related salary and benefit expenses, cost of facilities, insurance, travel, legal support, property and equipment and amortization of stock options and warrants.

Three Months Ended June 30, 2007 and 2008

We recognized a net loss of $6.1 million for the three months ended June 30, 2008 compared to a net loss of $8.0 million for the three months ended June 30, 2007. The decrease in net loss was primarily attributable to a decrease in interest expense for the three months ended June 30, 2008 as compared to the same period in 2007, offset by an increase in research and development and general and administrative expenses for the three months ended June 30, 2008 compared to the same period in 2007.

Research and Development Expense. Research and development expense increased from $2.2 million for the three months ended June 30, 2007 to $3.1 million for the three months ended June 30, 2008. This increase was primarily due to:

- increased monthly contract manufacturing costs for our DCVax® product;
- increased costs in Switzerland relating to the Authorization for Use, and the application for Marketing Authorization, relating to DCVax®-Brain;
- increased support costs related to the development of a clinical trial program and potential compassionate use/named patient programs in certain countries outside the U.S.;
- increased clinical trials costs in the U.S. due to the initiation of additional clinical sites and screening and enrollment of patients in our Phase II DCVax®-Brain clinical trial; and
- increased personnel costs as we build our clinical organization.

General and Administrative Expense. General and administrative expense increased from $1.4 million for the three months ended June 30, 2007 to $2.9 million for the three months ended June 30, 2008. This increase was primarily due to:

- costs associated with our AIM listing in the United Kingdom;
- potentially non-recurring start-up costs (mainly consulting and travel costs) for international programs, locations such as in Switzerland, Spain and Israel;
- higher staffing costs associated with expansion of our business activities in the U.S. and internationally;
- legal costs associated with ongoing litigation;
- additional rent expense related to our new headquarters located in Bethesda, Maryland; and
- SFAS 123(R) expense associated with stock option grants to executives.

Depreciation and Amortization. Depreciation and amortization decreased from $6,000 during the three months ended June 30, 2007 to $0 for the three months ended June 30, 2008. The decrease in the quarter was due to a true-up adjustment of cumulative depreciation at June 30, 2008.

Total Other Income (Expense), Net. Interest expense decreased from $4.7 million for the three months ended June 30, 2007 to approximately $69,000 for the three months ended June 30, 2008. Interest expense for the three-month period ended June 30, 2007 was primarily related to the debt discount and interest accretion associated with our then-outstanding convertible promissory notes and related warrants. As of December 31, 2007, all of the related notes were repaid. Accordingly, we did not accrue interest expense on those notes during the three months ended June 30, 2008.

Six Months Ended June 30, 2007 and 2008

We recognized a net loss of $11.7 million for the six months ended June 30, 2008 compared to a net loss of $9.9 million for the six months ended June 30, 2007. The increase in net loss was primarily attributable to an increase in research and development and general and administrative expenses for the six months ended June 30, 2008 compared to the same period in 2007, offset by a decrease in interest expense for the six months ended June 30, 2008 as compared to the same period in 2007.

Research and Development Expense. Research and development expense increased from $3.5 million for the six months ended June 30, 2007 to $6.2 million for the six months ended June 30, 2008. This increase was primarily due to:

- increased monthly contract manufacturing costs for our DCVax® product;
- increased costs in Switzerland relating to the Authorization for Use, and the application for Marketing Authorization, relating to DCVax®-Brain;
- increased support costs related to the development of a clinical trial program and potential compassionate use/named patient programs in certain countries outside the U.S.;
- increased clinical trial costs due to the initiation of additional clinical sites and screening and enrollment of patients in our Phase II DCVax®-Brain clinical trial; and
- increased personnel costs as we build our clinical organization.

General and Administrative Expense. General and administrative expense increased from $1.9 million for the six months ended June 30, 2007 to $5.5 million for the six months ended June 30, 2008. This increase was primarily due to:

- costs associated with our AIM listing in the United Kingdom;
- potentially non-recurring start-up costs (mainly consulting and travel costs) for international programs, locations such as in Switzerland, Spain and Israel;
- higher staffing costs associated with expansion of our business activities in the United States and internationally;
- legal costs associated with ongoing litigation;
- additional rent expense related to our new headquarters located in Bethesda, Maryland; and
- SFAS 123(R) expense associated with stock option grants to executives.

Depreciation and Amortization. Depreciation and amortization increased from $16,000 during the six months ended June 30, 2007 to $22,000 for the six months ended June 30, 2008.

Total Other Income (Expense), Net. Interest expense decreased from $4.9 million for the six months ended June 30, 2007 to approximately $81,000 for the six months ended June 30, 2008. Interest expense for the six-month period ended June 30, 2007 was primarily related to the debt discount and interest accretion associated with our then-outstanding convertible promissory notes and related warrants. As of December 31, 2007, all of the related notes were repaid. Accordingly, we did not accrue interest expense on those notes during the six months ended June 30, 2008.

Liquidity and Capital Resources

Toucan Capital and Toucan Partners

Since 2004, we have undergone a significant recapitalization pursuant to which Toucan Capital loaned us an aggregate of $6.75 million and Toucan Partners loaned us an aggregate of $4.825 million (excluding $225,000 in proceeds from a demand note that was received on June 13, 2007 and repaid on June 27, 2007). Our Chairperson is the managing director of Toucan Capital and the managing member of Toucan Partners.

On January 26, 2005, we entered into a securities purchase agreement with Toucan Capital pursuant to which it purchased 32.5 million shares of our Series A Preferred Stock at a purchase price of $0.04 per share, for a net purchase price of $1.276 million, net of offering related costs of approximately $24,000. In April 2006, the $6.75 million of notes payable plus all accrued interest due to Toucan Capital were converted into shares of the Company's Series A-1 Preferred Stock.

Simultaneously with Toucan Capital's notes payable conversion, our President and Chief Executive Officer, and our Chief Technical Officer, each elected to convert the principal and accrued interest on certain convertible promissory notes held by each of them into 146,385 and 32,796 shares, respectively, of our common stock. In conjunction with the PIPE Financing, our President and Chief Executive Officer and our Chief Technical Officer exercised certain warrants held by each of them on a net exercise basis for 126,365 and 28,311 shares of our common stock, respectively.

The $4.825 million loaned to us by Toucan Partners was advanced in a series of transactions. From November 14, 2005 through March 9, 2006, we issued three promissory notes to Toucan Partners, pursuant to which Toucan Partners loaned us an aggregate of $950,000. In addition to the $950,000 of promissory notes, Toucan Partners provided $3.15 million in cash advances from October 2006 through April 2007, which were converted into convertible notes (the "2007 Convertible Notes") and related warrants (the "2007 Convertible Warrants") in April 2007. In April 2007, the three promissory notes were amended and restated to conform to the 2007 Convertible Notes. Payment was due under the notes upon written demand on or after June 30, 2007. Interest accrued at 10% per annum, compounded annually, on a 365-day year basis. The principal amount of, and accrued interest on, these notes, as amended, was convertible at Toucan Partners' election into common stock on the same terms as the 2007 Convertible Notes.

Toucan Partners also entered into two promissory notes with us to fix the terms of two additional cash advances provided by Toucan Partners to us on May 14, 2007 and May 25, 2007 in the aggregate amount of $725,000, and we issued warrants to purchase shares of our common stock to Toucan Partners in connection with each such note. These notes and warrants are on the same terms as the 2007 Convertible Notes and 2007 Warrants and the proceeds of these notes enabled us to continue to operate and advance programs while raising additional equity financing.

During the fourth quarter of 2007, we repaid the entire $5.3 million in principal and related accrued interest due to Toucan Partners pursuant to the convertible notes.

Conversion of Preferred Stock and Related Matters

On June 1, 2007, we issued to Toucan Capital a new warrant to purchase our Series A-1 Preferred Stock ("Toucan Capital Series A-1 Warrant") in exchange for the cancellation of all previously issued warrants to purchase Series A-1 Preferred Stock (or, at the election of Toucan Capital, any other equity or debt security of ours) held by Toucan Capital. The Toucan Capital Series A-1 Warrant was exercisable for 6,471,333 shares of Series A-1 Preferred Stock plus shares of Series A-1 Preferred Stock attributable to accrued dividends on the shares of Series A-1 Preferred Stock held by Toucan Capital (with each such Series A-1 Preferred Share convertible into 2.67 shares of common stock at $0.60 per share), compared to the 3,062,500 shares of Series A-1 Preferred Stock (with each such Series A-1 Preferred Share convertible into 2.67 shares of common stock at $0.60 per share) that were previously issuable to Toucan Capital upon exercise of the warrants being cancelled.

Also on June 1, 2007, we and Toucan Capital amended Toucan Capital's warrant to purchase Series A Preferred Stock (the "Toucan Capital Series A Warrant") to increase the number of shares of Series A Preferred Stock that were issuable upon exercise of the warrant to 32,500,000 shares of Series A Preferred Stock (plus shares of Series A Preferred Stock attributable to accrued dividends on the shares of Series A Preferred Stock held by Toucan Capital) from 13,000,000 shares of Series A Preferred Stock.

In connection with the modifications of the Series A and Series A-1 Preferred Stock warrants, we recognized reductions in earnings applicable to common stockholders in June 2007 of $2.3 million and $16.4 million, respectively. The fair value of the warrant modifications were determined using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, risk-free interest rate of 5.0% volatility of 398%, and a contractual life of seven years.

On June 15, 2007, we, Toucan Capital, and Toucan Partners entered into a conversion agreement ("Conversion Agreement") which became effective on June 22, 2007 upon the admission of our common stock to trade on AIM ("Admission").

Pursuant to the terms of the Conversion Agreement (i) Toucan Capital agreed to convert and has converted all of its shares of the Company's Series A Preferred Stock and Series A-1 Preferred Stock (in each case, excluding any accrued and unpaid dividends) into common stock and agreed to eliminate a number of rights, preferences and protections associated with the Series A Preferred Stock and Series A-1 Preferred Stock, including the liquidation preference entitling Toucan Capital to certain substantial cash payments and (ii) Toucan Partners agreed to eliminate all of its existing rights to receive Series A-1 Preferred Stock under certain notes and warrants (and thereafter to receive shares of common stock rather than shares of Series A-1 Preferred Stock), and the rights, preferences and protections associated with the Series A-1 Preferred Stock, including the liquidation preference that would entitle Toucan Partners to certain substantial cash payments. In return for these agreements, we issued to Toucan Capital and Toucan Partners 4,287,851 and 2,572,710 shares of common stock, respectively. In connection with the issuance of these shares, we recognized a further reduction of earnings applicable to common stockholders of $12.3 million in June 2007.

Under the terms of the Conversion Agreement (i) the Toucan Capital Series A Warrant became exercisable for 2,166,667 shares of common stock rather than shares of Series A Preferred Stock (plus shares of common stock, rather than shares of Series A Preferred Stock, attributable to accrued dividends on the shares of Series A Preferred Stock previously held by Toucan Capital that were converted into common stock upon Admission, subject to the further provisions of the Conversion Agreement as described below) and (ii) the Toucan Capital Series A-1 Warrant became exercisable for an aggregate of 17,256,888 shares of common stock rather than shares of Series A-1 Preferred Stock (plus shares of common stock, rather than shares of Series A-1 Preferred Stock, attributable to accrued dividends on the shares of Series A-1 Preferred Stock previously held by Toucan Capital that were converted into common stock upon Admission), subject to further provisions of the Conversion Agreement as described below.

As noted above, the 32,500,000 shares of Series A Preferred Stock held by Toucan Capital converted, in accordance with their terms, into 2,166,667 shares of common stock and the 4,816,863 shares of Series A-1 Preferred Stock held by Toucan Capital converted, in accordance with their terms, into 12,844,968 shares of common stock.

Under the terms of the Conversion Agreement, Toucan Capital also agreed to temporarily defer receipt of the accrued and unpaid dividends on its shares of Series A Preferred Stock and Series A-1 Preferred Stock of an amount equal to $334,340 and $917,451, respectively, until not later than September 30, 2007. In September 2007, we paid these dividends in full to Toucan Capital.

As a result of the financings described above, as of June 30, 2008, Toucan Capital held:

- an aggregate of 19,299,486 shares of common stock;
- warrants to purchase 14,150,732 shares of common stock at an exercise price of $0.60 per share; and
- warrants to purchase 7,884,357 shares of common stock at an exercise price of $0.15 per share.

As a result of the financings described above, as of June 30, 2008, Toucan Partners held:

- an aggregate of 2,572,710 shares of common stock; and
- warrants to purchase 8,832,541 shares of common stock at an exercise price of $0.60 per share.

The investments made by Toucan Capital and Toucan Partners were made pursuant to the terms and conditions of a Recapitalization Agreement originally entered into on April 26, 2004 with Toucan Capital (the "Recapitalization Agreement"). The Recapitalization Agreement originally contemplated the investment of up to $40 million through the issuance of new securities to Toucan Capital and a syndicate of other investors to be determined.

We and Toucan Capital amended the Recapitalization Agreement in conjunction with each successive loan agreement. The amendments generally (i) updated certain representations and warranties of the parties made in the Recapitalization Agreement, and (ii) made certain technical changes in the Recapitalization Agreement in order to facilitate the bridge loans described therein.

In accordance with the Recapitalization Agreement, we accrued and paid certain legal and other administrative costs on Toucan Capital's behalf. During the three months ending June 30, 2008 and 2007, respectively, the Company recognized approximately $148,000 and $540,000 of general and administrative costs related to the recapitalization agreement, rent expense, as well as legal, travel and other costs incurred by Toucan Capital on the Company's behalf. During the six months ending June 30, 2008 and 2007, respectively, the Company recognized approximately $298,000 and $558,000 of general and administrative costs related to the recapitalization agreement, rent expense, as well as legal, travel and other costs incurred by Toucan Capital on the Company's behalf.

As of June 30, 2008, Toucan Capital and Toucan Partners collectively, held 21,872,196 shares of our common stock, representing approximately 51.5% of our outstanding common stock. Further, as of June 30, 2008, Toucan Capital and Toucan Partners collectively, beneficially owned (including unexercised warrants) 52,739,826 shares of our common stock, representing a beneficial ownership interest of approximately 71.9%.

Other Financings

On November 13, 2003, we borrowed an aggregate of $335,000 from certain members of our current and former management. These notes were either been repaid or converted into common stock prior to December 31, 2006.

On March 30, 2006, we completed the PIPE Financing pursuant to which we raised aggregate gross proceeds of approximately $5.5 million.

On June 22, 2007, we placed 15,789,473 shares of our common stock with foreign institutional investors at a price of £0.95 per share. The gross proceeds from the placement were approximately £15.0 million, or $29.9 million, while net proceeds from the offering, after deducting commissions and expenses, were approximately £13.0 million, or $25.9 million. The net proceeds from the placement are being used to fund clinical trials, product and process development, working capital needs and repayment of certain existing debt.

On May 12, 2008, the Company entered into a loan agreement with Al Rajhi, which beneficially owns more than 10 percent of our common stock, under which Al Rajhi provided the Company with debt financing in the amount of $4.0 million. (See"-Overview" above.)

On August 19, 2008, the Company entered into a loan agreement with Toucan Partners, under which Toucan Partners provided the Company with debt financing in the amount of $1.0 million. (See "- Overview" above).

As of August 19, 2008, we had approximately $1.1 million of cash on hand. We estimate that our available cash is sufficient to support our day to day operations through the end of September 2008. We need to raise additional capital to fund our clinical trials and other operating activities. We are in late stage discussions with several parties in regard to additional financing transactions with several other parties, which we hope to complete later this year. However, there can be no assurance that we will be able to complete any of the financings, or that the terms for such financings will be favorable to us.

We are seeking additional funds through all the capital channels available to us, including the issuance of additional common stock or other securities (equity or debt) convertible into shares of common stock, which could dilute the ownership interest of our stockholders. We may seek funding from Toucan Capital or Toucan Partners or their affiliates or other third parties. Such parties are under no obligation to provide us any additional funds, and any such funding may be dilutive to stockholders and may contain restrictive covenants that could limit our ability to take certain actions. If our capital raising efforts are unsuccessful, our inability to obtain additional cash as needed could have a material adverse effect on our financial position, results of operations and our ability to continue our existence. Our independent registered public accounting firm has indicated in its report on our financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2007 that there is substantial doubt about our ability to continue as a going concern.

Sources of Cash

During the six months ending June 30, 2007, we received $2.375 million in cash advances from Toucan Partners, which were converted into the 2007 Convertible Notes and 2007 Warrants discussed above. Additionally, we received $225,000 from Toucan Partners on June 13, 2007 in the form of a $225,000 demand note bearing interest of 10% ("Demand Note"). The Demand Note was repaid on June 27, 2007.

On June 22, 2007, we placed 15,789,473 shares of our Common Stock with foreign institutional investors at a price of £0.95 per share. The gross proceeds from the placement were approximately £15.0 million, or $29.9 million, while net proceeds from the offering, after deducting commissions and expenses, were approximately £13.0 million, or $25.9 million.

During the six months ended June 30, 2008, we received a $4.0 million unsecured loan from Al Rajhi.

On August 19, 2008, we received a $1.0 million unsecured loan from Toucan Partners.

Uses of Cash

We used $10.4 million in cash for operating activities during the six months ended June 30, 2008, compared to $3.2 million for the six months ended June 30, 2007. The increase in cash used in operating activities was a result of the significant increase in development activities, including increased staffing and consulting support related to manufacturing start-up, conducting the Phase II clinical trial for DCVax®-Brain, progressing preparations for the commercialization of DCVax®-Brain in Switzerland, exploring compassionate use/named patient programs outside of the United States, and payments of accounts payable and accrued liability balances at June 30, 2008.

We utilized $241,000 in cash for investing activities during the six months ended June 30, 2008 compared to $11,000 used in investing activities during the six months ended June 30, 2007. The cash utilized during the six-month periods ended June 30, 2007 and 2008 consisted of purchases of property and equipment primarily for computer and other equipment and acquisition of property and equipment required to expand production capacity.

On March 21, 2008, we executed a sublease agreement with Toucan Capital Corporation, an affiliate of Toucan Capital and Toucan Partners, for our corporate headquarters located at 7600 Wisconsin Avenue, Suite 750, Bethesda, Maryland 20814. This sublease agreement was effective as of July 1, 2007 and expires on October 31, 2016, unless sooner terminated according to its terms. Previously, we had been occupying our Bethesda headquarters under an oral arrangement with Toucan Capital Corporation, whereby we were required to pay base rent of $32,949 per month through December 31, 2007. Under the sublease agreement, we are required to pay base rent of $34,000 per month during 2008, which monthly amount increases by $1,000 on an annual basis, to a maximum of $42,000 per month during 2016, the last year of the term of the lease. In addition to monthly base rent, we are obligated to pay operating expenses allocable to the subleased premises under Toucan Capital Corporation's master lease. During the six months ended June 30, 2008, we paid approximately $404,000 to Toucan Capital Corporation pursuant to this sublease agreement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Interest Rate Risk

Our exposure to market risk is presently limited to the interest rate sensitivity of our cash which is affected by changes in the general level of U.S. and Swiss interest rates. We are exposed to interest rate changes primarily as a result of our investment activities. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. To minimize risk, we maintain our cash in interest-bearing instruments, primarily money market funds. Due to the short-term nature of our cash, we believe that our exposure to market interest rate fluctuations is minimal. A hypothetical 10% change in short-term interest rates from those in effect at June 30, 2008 would not have a significant impact on our financial position or our expected results of operations. Our interest rate risk management objective with respect to our borrowings is to limit the impact of interest rate changes on earnings and cash flows. Our debt is carried at a fixed 12% annual rate of interest. We do not have any foreign currency or other derivative financial instruments.

Foreign Currency Exchange Rate Risk

As a corporation with contractual arrangements overseas, we are exposed to changes in foreign exchange rates. These exposures may change over time and could have a material adverse impact on our financial results. At this time we do not have a program to hedge this exposure.

Item 4. Controls and Procedures

Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating these disclosure controls and procedures, management recognizes 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 is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation of disclosure controls and procedures

Our President and Chief Executive Officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), has concluded that as of June 30, 2008, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2007, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including:

(i) Lack of a sufficient number of independent directors for our board and audit committee. We currently do not have an independent director on our board, which is comprised of two directors, and on our audit committee, which is comprised of one director. We are considered a controlled company, whereby a group holds more than 50% of our voting power, and as such are not required to have a majority of our board of directors be independent. However, it is our intention to have a majority of our directors be independent in due course.

(ii) Lack of an audit committee financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the year ended December 31, 2007, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, having access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

(iv) Insufficient corporate governance policies. Although we have a code of ethics which provides broad guidelines for corporate governance, our corporate governance activities and processes are not always formally documented. Specifically, decisions made by the board to be carried out by management should be documented and communicated on a timely basis to reduce the likelihood of any misunderstandings regarding key decisions affecting our operations and management.

(v) Inadequate approval and control over transactions and commitments made on our behalf by related parties. Specifically, during 2007, and continuing into 2008, certain related party transactions were not effectively communicated to all internal personnel who needed to be involved to account for and report the transaction in a timely manner. This resulted in material adjustments during the quarterly reviews and annual audit, respectively, that otherwise would have been avoided if effective communication and approval processes had been maintained.

As part of the communications by Peterson Sullivan, PLLC ("Peterson Sullivan"), with our Audit Committee with respect to Peterson Sullivan's audit procedures for fiscal 2007, Peterson Sullivan informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board.

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies. We intend to consider the results of our remediation efforts and related testing as part of our year-end 2008 assessment of the effectiveness of our internal control over financial reporting.

We have implemented certain remediation measures and are in the process of designing and implementing additional remediation measures for the material weaknesses described above. Such remediation activities include the following:

- We plan to recruit two or more additional independent board members to join our board of directors in due course. Such recruitment will include at least one person who qualifies as an audit committee financial expert to join as an independent board member and as an audit committee member.

- We have hired additional qualified and experienced accounting personnel to perform the month-end review and closing processes as well as provide additional oversight and supervision within the accounting department. In February 2008, we hired a full-time controller who has assisted us in documenting the majority of our processes. We are in the process of establishing more rigorous review procedures. In addition, we have changed our accounting system to make it simpler and more appropriate for a company our size.

- We are initiating a formal commitment review process to establish and document the accounting events and methodology at the time the transactions are entered into, so that there is a clear understanding of what events will trigger an accounting event and establish the amounts to be recognized for each event.
- We are initiating a formal monthly reporting and approval process with our related parties to ensure timely provision of information affecting our quarterly and annual consolidated financial statements.

In addition to the foregoing remediation efforts, we will continue to update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the second quarter of 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

As part of a continuing effort to improve our business processes, management is evaluating our internal controls and intends to update certain controls to accommodate modifications to our business processes or accounting procedures.

Part II — Other Information

Item 1. Legal Proceedings

From time to time, we are involved in claims and suits that arise in the ordinary course of our business. Although management currently believes that resolving any such claims against us will not have a material adverse impact on our business, financial position or results of operations, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. In addition to any such claims and suits, we are involved in the following legal proceedings.

SOMA Arbitration

We signed an engagement letter, dated October 15, 2003, with Soma Partners, LLC, or Soma, a New Jersey-based investment bank, pursuant to which we engaged them to locate potential investors. Pursuant to the terms of the engagement letter, any disputes arising between the parties would be submitted to arbitration in the New York metropolitan area. A dispute arose between the parties. Soma filed an arbitration claim against us with the American Arbitration Association in New York, NY claiming unpaid commission fees of $186,000 and seeking declaratory relief regarding potential fees for future transactions that may be undertaken by us with Toucan Capital. We vigorously disputed Soma's claims on multiple grounds. We contended that we only owed Soma approximately $6,000.

Soma subsequently filed an amended arbitration claim, claiming unpaid commission fees of $339,000 and warrants to purchase 6% of the aggregate securities issued to date, and seeking declaratory relief regarding potential fees for future financing transactions which may be undertaken by us with Toucan Capital and others, which could potentially be in excess of $4 million. Soma also requested the arbitrator award its attorneys' fees and costs related to the proceedings. We strongly disputed Soma's claims and defended ourselves.

The arbitration proceedings occurred from March 8-10, 2005 and on May 24, 2005, the arbitrator ruled in our favor and denied all claims of Soma. In particular, the arbitrator decided that we did not owe Soma the fees and warrants sought by Soma, that we would not owe Soma fees in connection with future financings, if any, and that we had no obligation to pay any of Soma's attorneys' fees or expenses. The arbitrator agreed with us that the only amount we owed Soma was $6,702.87, which payment we made on May 27, 2005.

On August 29, 2005, Soma filed a notice of petition to vacate the May 24, 2005 arbitration award with the Supreme Court of the State of New York. On December 30, 2005, the Supreme Court of the State of New York dismissed Soma's petition.

On February 3, 2006, Soma filed another notice of appeal with the Supreme Court of the State of New York. On December 6, 2006, we filed our brief for this appeal and on December 12, 2006, Soma filed its reply brief. On June 19, 2007, the Appellate Division, First Department of the Supreme Court of the State of New York, reversed the December 30, 2005 decision and ordered a new arbitration proceeding. On July 26, 2007, we filed a Motion for Leave to Appeal with the Court of Appeals of the State of New York and on August 3, 2007 Soma filed its reply brief. On October 16, 2007, the Court of Appeals of the State of New York denied our motion to appeal. We intend to continue to vigorously defend ourselves against the claims of Soma.

Lonza Patent Infringement Claim

On July 27, 2007, Lonza Group AG ("Lonza") filed a complaint against us in the U. S. District Court for the District of Delaware alleging patent infringement relating to recombinant DNA methods, sequences, vectors, cell lines and host cells. The complaint sought temporary and permanent injunctions enjoining us from infringing Lonza's patents and unspecified damages. We strongly disputed all of the claims in Lonza's complaint, sought dismissal of the complaint and also filed counterclaims against Lonza for damages. On November 27, 2007, the complaint was dismissed by the U.S. District Court for the District of Delaware. Also on November 27, 2007, a new complaint was filed by Lonza in the U.S. District Court for the District of Maryland alleging the same patent infringement relating to recombinant DNA methods, sequences, vectors, cell lines and host cells by the Company's DCVax® product candidates. On December 13, 2007, Lonza withdrew all claims relating to all of our products other than our DCVax®-Prostate product. We continued to dispute these remaining claims and seek dismissal of them. On April 14, 2008, we and Lonza entered into a binding agreement to settle the dispute. Under the terms of the settlement, we did not pay any monetary or other consideration to Lonza nor did we acquire any license from Lonza. The only action to which we agreed was to destroy any recombinant modified prostate specific membrane antigen or cell lines using Lonza'a GS Expression System currently in our possession which had been manufactured by and purchased from Medarex Inc. more than six years ago, as well as any documentation received from Medarex on know–how regarding the use of the GS Expression System and cell lines. On May 14, 2008 the parties filed a Joint Stipulation of Dismissal of the Lawsuit with Prejudice, including all claims and counterclaims therein.

Stockholder Class Action Lawsuits

On August 13, 2007, a complaint was filed in the U.S. District Court for the Western District of Washington naming the Company, the Chairperson of the Board, Linda F. Powers, and our Chief Executive Officer, Alton L. Boynton, as defendants in a class action for violation of federal securities laws. After this complaint was filed, five additional complaints were filed in other jurisdictions alleging similar claims. The complaints were filed on behalf of purchasers of the Company's common stock between July 9, 2007 and July 18, 2007, and allege violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The complaints seek unspecified compensatory damages, costs and expenses. On December 18, 2007, a consolidated complaint was filed in the U.S. District Court for the Western District of Washington consolidating the stockholder actions previously filed. We dispute these claims and intend to vigorously defend these actions.

SEC Inquiry

On August 13, 2007, we were notified that the SEC had initiated a non-public informal inquiry regarding the events surrounding our application for Swiss regulatory approval and related press releases dated July 9, 2007 and July 16, 2007. On March 3, 2008 we were notified that the SEC had initiated a formal investigation regarding this matter. We have been cooperating with the SEC in connection with the inquiry, and will continue to do so.

Management Warrants

On November 13, 2003, we borrowed an aggregate of $335,000 from certain members of our management. As part of the consideration for this loan, the lenders received warrants exercisable to acquire an aggregate of 0.25 million shares of our common stock. From March 2006 through May 2006, all of these warrants were exercised for common stock on a net exercise basis, pursuant to the terms of the warrants.

Two former members of management who had participated as lenders in our management loans have claimed that they are entitled to receive, for no additional cash consideration, an aggregate of up to approximately 630,000 additional shares of our common stock due to the alleged triggering of an anti-dilution provision in the warrant agreements. We do not believe that these claims have merit and, in the event such claims are pursued, we intend to vigorously defend against them.

We have no other legal proceedings pending at this time.

Item 1A. Risk Factors

Our business, operations and financial condition are subject to various risks and uncertainties that should be considered by our stockholders and prospective investors. This section discusses factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. You should carefully consider the risks described below, together with all other information included in this Form 10-Q and those risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007. Our business, operations or financial condition could be materially adversely affected by the occurrence of any of these risks. In such case, you could lose all of your investment.

We will need to raise additional capital, which may not be available.

As of August 19, 2008, we had approximately $1.1 million of cash on hand. We estimate that our available cash is sufficient to support our day to day operations through the end of September 2008. As noted above, on May 12, 2008, Al Rajhi, a beneficial owner of more than 10% of our common stock, advanced to us $4.0 million pursuant to a loan agreement. On August 19, 2008, Toucan Partners advanced to us $1.0 million pursuant to a loan agreement. Each of these loans has a term of six months, which may be extended in the lender's sole discretion. Despite these financings, however, we need additional capital to support our ongoing operations, including to fund the research, development and commercialization of our product candidates (specifically, to complete our current DCVax®-Brain Phase II clinical trial), to fund our other operating activities and to repay the Loan and the Toucan Loan. We may raise additional funds by issuing additional common stock or securities (equity or debt) convertible into shares of common stock, in which case, the ownership interest of our stockholders will be diluted. We do not currently have any established third party bank credit arrangements. Any debt financing, if available, is likely to include restrictive covenants that could limit our ability to take certain actions. Further, we may seek additional funding from Toucan Capital or Toucan Partners or their affiliates or other third parties. Such parties are under no obligation to provide us any additional funds, and any such funding may be on unfavorable terms and dilutive to stockholders and may contain restrictive covenants. We are in late stage discussions with several parties in regard to additional financings; however, there can be no assurance that we will be able to complete any such financings or that the terms of such financings will be attractive to us. If we are unable to obtain additional funds on a timely basis or on acceptable terms, we may be required to curtail or cease certain or all of our operations.

We are likely to continue to incur substantial losses, and may never achieve profitability.

We have incurred net losses every year since our formation in March 1996 and had a deficit accumulated during the development stage of approximately $154.0 million as of June 30, 2008. We expect that these losses will continue and anticipate negative cash flows from operations for the foreseeable future. Despite the receipt of approximately $4.0 million from the Loan discussed above and $25.9 million of net proceeds from an offering of our common stock on AIM in June 2007, we need additional funding, and over the medium term we will need to generate revenue sufficient to cover operating expenses, clinical trial expenses and some research and development costs to achieve profitability. We may never achieve or sustain profitability.

Our auditors have issued a "going concern" audit opinion.

Our independent auditors have indicated in their report on our December 31, 2007 financial statements that there is substantial doubt about our ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Therefore, you should not rely on our consolidated balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to stockholders, in the event of liquidation.

As a company in the early stage of development with an unproven business strategy, our limited history of operations makes an evaluation of our business and prospects difficult.

We have had a limited operating history and we are at an early stage of development. We may not be able to achieve revenue growth in the future. We have generated the following limited revenues: $529,000 in 2003; $390,000 in 2004; $124,000 in 2005; $80,000 in 2006; and $10,000 in 2007. We have derived most of these limited revenues from the sale of research products to a single customer, contract research and development for related parties, research grants and royalties from licensing fees generated from a licensing agreement. Our limited operating history makes it difficult to assess our prospects for generating revenues.

We may not be able to retain existing personnel.

We employ eight full-time employees. The uncertainty of our business prospects, limited access to capital to sustain our business operations and the volatility in the price of our common stock may create anxiety and uncertainty, which could adversely affect employee morale and cause us to lose employees whom we would prefer to retain. To the extent that we are unable to retain existing personnel, our business and financial results may suffer.

We may not be able to attract expert personnel.

In order to pursue our product development and marketing plans, we will need additional management personnel and personnel with expertise in clinical testing, government regulation, manufacturing and marketing. Attracting and retaining qualified personnel, consultants and advisors will be critical to our success. There can be no assurance that we will be able to attract personnel on acceptable terms given the competition for such personnel among biotechnology, pharmaceutical and healthcare companies, universities and non-profit research institutions. The failure to attract any of these personnel could impede the achievement of our development objectives.

We rely on a single relationship with a third-party contract manufacturer, which will limit our ability to control the availability of our product candidates in the near-term.

We rely upon a single contract manufacturer, Cognate. The majority owner of Cognate is Toucan Capital, one of our majority stockholders. Cognate provides consulting services to us and is the manufacturer of our product candidates. We have an agreement in place with Cognate pursuant to which Cognate has agreed to provide manufacturing and other services in connection with our pivotal Phase II clinical trial for DCVax®-Brain. The agreement requires us to make minimum monthly payments to Cognate irrespective of whether any DCVax® products are manufactured. The agreement does not extend to providing services in respect of commercialization of the DCVax®-Brain product, nor for other clinical trials or commercialization of any of our other product candidates. If and to the extent we wish to engage Cognate to manufacture our DCVax®-Brain for commercialization or any of our other product candidates (including DCVax®-Prostate) for clinical trials or commercialization, we will need to enter into a new agreement with Cognate or another third-party manufacturer which might not be feasible on a timely or favorable basis. The failure to timely enroll patients in our clinical trials will have an adverse impact on our financial results due, in part, to the minimum monthly payments that we make to Cognate.

Problems with our contract manufacturer's facilities or processes could result in a failure to produce, or a delay in production, of adequate supplies of our product candidates. Any prolonged interruption in the operations of our contract manufacturer's facilities could result in cancellation of shipments or a shortfall in availability of a product candidate. A number of factors could cause interruptions, including the inability of a supplier to provide raw materials, equipment malfunctions or failures, damage to a facility due to natural disasters, changes in FDA regulatory requirements or standards that require modifications to our manufacturing processes, action by the FDA or by us that results in the halting or slowdown of production of components or finished products due to regulatory issues, the contract manufacturer going out of business or failing to produce product as contractually required or other similar factors. Because manufacturing processes are highly complex and are subject to a lengthy FDA approval process, alternative qualified production capacity may not be available on a timely basis or at all. Difficulties or delays in our contract manufacturer's manufacturing and supply of components could delay our clinical trials, increase our costs, damage our reputation and, if our product candidates are approved for sale, cause us to lose revenue or market share if it is unable to timely meet market demands.

Our success partly depends on existing and future collaborators.

We work with scientists and medical professionals at academic and other institutions, including UCLA, the University of Pennsylvania, M.D. Anderson Cancer Centre and the H. Lee Moffitt Cancer Centre, among others, some of whom have conducted research for us or have assisted in developing our research and development strategy. We do not employ these scientists and medical professionals. They may have commitments to, or contracts with, other businesses or institutions that limit the amount of time they have available to work with us. We have little control over these individuals. We can only expect that they devote time to us as required by our license, consulting and sponsored research agreements. In addition, these individuals may have arrangements with other companies to assist in developing technologies that may compete with our products. If these individuals do not devote sufficient time and resources to our programs, or if they provide substantial assistance to our competitors, our business could be seriously harmed.

The success of our business strategy may partially depend upon our ability to develop and maintain our collaborations and to manage them effectively. Due to concerns regarding our ability to continue our operations or the commercial feasibility of our personalized DCVax® product candidates, these third parties may decide not to conduct business with us or may conduct business with us on terms that are less favorable than those customarily extended by them. If either of these events occurs, our business could suffer significantly.

We may have disputes with our collaborators, which could be costly and time consuming. Failure to successfully defend our rights could seriously harm our business, financial condition and operating results. We intend to continue to enter into collaborations in the future. However, we may be unable to successfully negotiate any additional collaboration and any of these relationships, if established, may not be scientifically or commercially successful.

We are involved in legal proceedings that could result in an adverse outcome, or that could otherwise harm our business. In addition, future litigation could be costly to defend or pursue and uncertain in its outcome.

We are party to various legal actions, as more fully described above under Item 1. “Legal Proceedings.” These pending legal proceedings include a dispute with Soma Partners, LLC, an investment bank, regarding certain fees Soma claims it is entitled to under an engagement letter with us; a consolidated class action complaint filed against us alleging violations of Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, based on certain of our public announcements regarding the status of certain regulatory approvals for our DCVax®-Brain vaccine in Switzerland; and a formal SEC investigation into the same matter. We can provide no assurances as to the outcome of the foregoing legal proceedings.

The defense of these or future legal proceedings has and could continue to divert management’s attention and resources from the needs of our business. We may be required to make substantial payments or incur other adverse effects in the event of adverse judgments or settlements of any such claims, investigations, or proceedings. Any legal proceeding, even if resolved in our favor, could result in negative publicity or cause us to incur significant legal and other expenses. Actual costs incurred in any legal proceedings may differ from our expectations and could exceed any amounts for which we have made reserves.

Clinical trials for our product candidates are expensive and time-consuming and their outcome is uncertain.

The process of obtaining and maintaining regulatory approvals for new therapeutic products is expensive, lengthy and uncertain. It can vary substantially, based upon the type, complexity and novelty of the product involved. Accordingly, any of our current or future product candidates could take a significantly longer time to gain regulatory approval than we expect or may never gain approval, either of which could reduce our anticipated revenues and delay or terminate the potential commercialization of our product candidates.

We have limited experience in conducting and managing clinical trials.

We rely on third parties to assist us in managing and monitoring all our clinical trials. Our reliance on these third parties may result in delays in completing, or failure to complete, these trials if the third parties fail to perform under the terms of our agreements with them. We may not be able to find a sufficient alternative supplier of these services in a reasonable time period, or on commercially reasonable terms, if at all. If we were unable to obtain an alternative supplier of these services, we might be forced to curtail our Phase II clinical trial for DCVax®-Brain.

Our product candidates will require a different distribution model than conventional therapeutic products.

The nature of our product candidates means that different systems and methods will need to be followed for the distribution and delivery of the products than is the case for conventional therapeutic products. The personalized nature of these products, the need for centralized storage, and the requirement to maintain the products in frozen form may mean that we are not able to take advantage of distribution networks normally used for conventional therapeutic products. If our product candidates are approved, it may take time for hospitals and physicians to adapt to the requirements for handling and storage of these products, which may adversely affect their sales.

We lack sales and marketing experience and as a result may experience significant difficulties commercializing our research product candidates.

The commercial success of any of our product candidates will depend upon the strength of our sales and marketing efforts. We do not have a sales force and have no experience in sales, marketing or distribution. To fully commercialize our product candidates, we will need a substantial marketing staff and sales force with technical expertise and the ability to distribute these products. As an alternative, we could seek assistance from a third party with a large distribution system and a large direct sales force. We may be unable to put either of these plans in place. In addition, if we arrange for others to market and sell our products, our revenues will depend upon the efforts of those parties. Such arrangements may not succeed.

Even if one or more of our product candidates is approved for marketing, if we fail to establish adequate sales, marketing and distribution capabilities, independently or with others, our business will be seriously harmed.

Competition in the biotechnology and biopharmaceutical industry is intense and most of our competitors have substantially greater resources than us.

The biotechnology and biopharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Several companies, such as Cell Genesys, Inc., Dendreon Corporation, Immuno-Designed Molecules, Inc., Celldex Therapeutics, Inc., Ark Therapeutics plc, Oxford Biomedica plc, Argos Therapeutics, Inc. and Antigenics, are actively involved in the research and development of immunotherapies or cell-based cancer therapeutics. Of these companies, we believe that only Dendreon and Cell Genesys are carrying-out Phase III clinical trials with a cell-based therapy. To our knowledge, no DC-based therapeutic product is currently approved for commercial sale. Additionally, several companies, such as Medarex, Inc., Amgen, Inc., Agensys, Inc., and Genentech, Inc., are actively involved in the research and development of monoclonal antibody-based cancer therapies. Currently, at least seven antibody-based products are approved for commercial sale for cancer therapy. Genentech is also engaged in several Phase III clinical trials for additional antibody-based therapeutics for a variety of cancers, and several other companies are in early stage clinical trials for such products. Many other third parties compete with us in developing alternative therapies to treat cancer, including: biopharmaceutical companies, biotechnology companies, pharmaceutical companies, academic institutions, and other research organizations.

Most of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing than we do. In addition, many of these competitors are actively seeking patent protection and licensing arrangements in anticipation of collecting royalties for use of technology they have developed. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, as well as in acquiring technologies complementary to our programs.

We expect that our ability to compete effectively will be dependent upon our ability to: obtain additional funding, successfully complete clinical trials and obtain all requisite regulatory approvals, maintain a proprietary position in our technologies and products, attract and retain key personnel, and maintain existing or enter into new partnerships.

Our competitors may develop more effective or affordable products, or achieve earlier patent protection or product marketing and sales. As a result, any products developed by us may be rendered obsolete and non-competitive.

Our intellectual property rights may not provide meaningful commercial protection for our research products or product candidates, which could enable third parties to use our technology, or very similar technology, and could reduce our ability to compete in the market.

We rely on patent, copyright, trade secret and trademark laws to limit the ability of others to compete with us using the same or similar technology in the United States and other countries. However, as described below, these laws afford only limited protection and may not adequately protect our rights to the extent necessary to sustain any competitive advantage we may have. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries.

We have 28 issued and licensed patents (9 in the United States and 19 in other jurisdictions) and 134 patent applications pending (17 in the United States and 117 in other jurisdictions) which cover the use of dendritic cells in DCVax® as well as targets for either our dendritic cell or fully human monoclonal antibody therapy candidates. The issued patents expire at various dates from 2015 to 2026.

We will only be able to protect our technologies from unauthorized use by third parties to the extent that they are covered by valid and enforceable patents or are effectively maintained as trade secrets. The patent positions of companies developing novel cancer treatments, including our patent position, generally are uncertain and involve complex legal and factual questions, particularly concerning the scope and enforceability of claims of such patents against alleged infringement. Recent judicial decisions in the United States are prompting a reinterpretation of the limited case law that exists in this area, and historical legal standards surrounding questions of infringement and validity may not apply in future cases. A reinterpretation of existing U.S. law in this area may limit or potentially eliminate our patent position and, therefore, our ability to prevent others from using our technologies. The biotechnology patent situation outside the United States is even more uncertain. Changes in either the patent laws or the interpretations of patent laws in the United States and other countries may, therefore, diminish the value of our intellectual property.

We own or have rights under licenses to a variety of issued patents and pending patent applications. However, the patents on which we rely may be challenged and invalidated, and our patent applications may not result in issued patents. Moreover, our patents and patent applications may not be sufficiently broad to prevent others from using our technologies or from developing competing products. We also face the risk that others may independently develop similar or alternative technologies or design around our patented technologies.

We have taken security measures to protect our proprietary information, especially proprietary information that is not covered by patents or patent applications. These measures, however, may not provide adequate protection for our trade secrets or other proprietary information. We seek to protect our proprietary information by entering into confidentiality agreements with employees, partners and consultants. Nevertheless, employees, collaborators or consultants may still disclose our proprietary information, and we may not be able to protect our trade secrets in a meaningful way. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to our trade secrets.

Our success will depend substantially on our ability to operate without infringing or misappropriating the proprietary rights of others.

Our success will depend to a substantial degree upon our ability to develop, manufacture, market and sell our research products and product candidates without infringing the proprietary rights of third parties and without breaching any licenses entered into by us regarding our product candidates.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and biopharmaceutical industries generally. Infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate and can divert management's attention from our core business. For example, we recently entered into a settlement agreement with Lonza of its claims of patent infringement against us. In addition, we may be exposed to future litigation by third parties based on claims that our products infringe their intellectual property rights. This risk is exacerbated by the fact that there are numerous issued and pending patents in the biotechnology industry and the fact that the validity and breadth of biotechnology patents involve complex legal and factual questions for which important legal principles remain unresolved.

Competitors may assert that our products and the methods we employ are covered by U.S. or foreign patents held by them. In addition, because patents can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that our products may infringe. There could also be existing patents of which we are not aware that one or more of our products may inadvertently infringe.

If we lose a patent infringement claim, we could be prevented from selling our research products or product candidates unless we can obtain a license to use technology or ideas covered by such patent or we are able to redesign our products to avoid infringement. A license may not be available at all or on terms acceptable to us, or we may not be able to redesign our products to avoid infringement. If we are not successful in obtaining a license or redesigning our products, we may be unable to sell our products and our business could suffer.

We may not receive regulatory approvals for our product candidates or there may be a delay in obtaining such approvals.

Our product candidates and our ongoing development activities are subject to regulation by governmental and other regulatory authorities in the countries in which we or our collaborators and distributors wish to test, manufacture or market our product candidates. For instance, the FDA will regulate our product candidates in the U.S. and equivalent authorities, such as the European Medicines Agency ("EMEA"), will regulate our product candidates in other jurisdictions. Regulatory approval by these authorities will be subject to the evaluation of data relating to the quality, efficacy and safety of each product candidate for its proposed use.

The time taken to obtain regulatory approval varies between countries. Different regulators may impose their own requirements and may refuse to grant, or may require additional data before granting, an approval, notwithstanding that regulatory approval may have been granted by other regulators. Regulatory approval may be delayed, limited or denied for a number of reasons, including insufficient clinical data, the product not meeting safety or efficacy requirements or any relevant manufacturing processes or facilities not meeting applicable requirements.

Further trials and other costly and time-consuming assessments of our product candidates may be required to obtain or maintain regulatory approval.

Medicinal products are generally subject to lengthy and rigorous pre-clinical and clinical trials and other extensive, costly and time-consuming procedures mandated by regulatory authorities. We may be required to conduct additional trials beyond those currently planned, which could require significant time and expense. For example, the field of cancer treatment is evolving, and the standard of care for a particular cancer could change while we are in the process of conducting the clinical trials for our product candidates. Such a change in standard of care could make it necessary for us to conduct additional clinical trials, which could delay our opportunities to obtain regulatory approval of our product candidates.

As for all biological products, we may need to provide pre-clinical and clinical data evidencing the comparability of products before and after any changes in manufacturing process both during and after product approval. Regulators may require that we generate data to demonstrate that products before or after any such change are of comparable safety and efficacy if we are to rely on studies using earlier versions of the product. DCVax®-Brain has been the subject of process changes during the early clinical phase of its development and regulators may require comparability data unless they are satisfied that changes in process do not affect the quality, and hence efficacy and safety, of the product.

We plan to rely on our current DCVax®-Brain Phase II clinical trial as a single study in support of regulatory approval. However, to date, only six patients have enrolled in the clinical trial, which is designed to include 240 patients. Given our current lack of funding, it is unclear how quickly we will be able to increase enrollment, if at all. Further, while under certain circumstances, both EMEA and the FDA will accept a Phase II study as a single study in support of approval, it is not yet known whether they will do so in this case. If the regulators do not consider the Phase II study adequate on its own to support a finding of efficacy, we may be required to perform additional clinical trials in DCVax®-Brain. There is some possibility that changes requested by the FDA could complicate the licensing application process. Only the data for DCVax®-Brain has been discussed with European regulators. On an informal basis, a number of European national regulators have indicated that additional pre-clinical and clinical data could be required before the DCVax®-Brain product would be approved. However, it is not clear whether such data will be required until formal scientific advice is sought from the EMEA, which is the regulator that will ultimately review any application for approval of this product candidate. Unless the EMEA grants a deferral or a waiver, we may also be obliged to generate clinical data in pediatric populations.

The FDA previously identified a number of deficiencies regarding the design of our original proposed Phase III clinical trial for DCVax®-Prostate. We believe we remedied these deficiencies in the new trial design for a 600-patient Phase III clinical trial, which was cleared by the FDA in January 2005. However, we now intend to split this single 600-patient Phase III trial into two separate 300-patient Phase III trials. These revisions in trial design may cause delay in the development process for DCVax®-Prostate. It is not yet known whether the FDA will consider the two-trial design sufficient for marketing approval, or whether the agency will require us to design and carry out additional studies. If, after the Phase III studies are carried out, the FDA is not satisfied that its concerns were adequately addressed, those studies could be insufficient to demonstrate efficacy and additional clinical studies could be required at that time.

Any delay in completing sufficient trials or other regulatory requirements, including from our inability to fund these trials will delay our ability to generate revenue from product sales and we may have insufficient capital resources to support its ongoing activities. Even if we do have sufficient capital resources, our ability to generate meaningful revenues or become profitable may be delayed.

Regulatory approval may be withdrawn at any time.

After regulatory approval has been obtained for medicinal products, the product and the manufacturer are subject to continual review and there can be no assurance that such approval will not be withdrawn or restricted. Regulators may also subject approvals to restrictions or conditions, or impose post-approval obligations on the holders of these approvals, and the regulatory status of such products may be jeopardized if we do not comply. Extensive post-approval safety studies are likely to be a condition of the approval and will commit us to significant time and expense.

We may fail to comply with regulatory requirements.

Our success will be dependent upon our ability, and our collaborative partners' abilities, to maintain compliance with regulatory requirements, including regulators' current good manufacturing practices ("cGMP") and safety reporting obligations. The failure to comply with applicable regulatory requirements can result in, among other things, fines, injunctions, civil penalties, total or partial suspension of regulatory approvals, refusal to approve pending applications, recalls or seizures of products, operating and production restrictions and criminal prosecutions.

We may be subject to sanctions if we are determined to be promoting our investigational products prior to regulatory approval or for unapproved uses.

Laws in both the U.S. and Europe prohibit us from promoting any product candidate that has not received approval from the appropriate regulator, or from promoting a product for an unapproved use. If any regulator determines that we have engaged in such pre-approval, or off-label promotion, through our website, press releases, or other communications, the authority could require us to change the content of those communications and could also take regulatory enforcement action, including the issuance of a warning letter, requirements for corrective action, civil fines, and criminal penalties. In the event of a product liability lawsuit, materials that appear to promote a product for unapproved uses may increase our product liability exposure.

We may not obtain or maintain orphan drug status and the associated benefits, including marketing exclusivity.

We may not receive the benefits associated with orphan drug designation. This may result from a failure to achieve or maintain orphan drug status or the development of a competing product that has an orphan designation for the same indication. In Europe, the orphan status of DCVax®-Brain will be reassessed shortly prior to the product receiving any regulatory approval. The EMEA will need to be satisfied that there is evidence that DCVax®-Brain offers a significant benefit relative to existing therapies for the treatment of glioma if DCVax®-Brain is to maintain its orphan drug status.

New legislation may have an adverse effect on our business.

Changes in applicable legislation and/or regulatory policies may result in delays in bringing products to market, the imposition of restrictions on the product's sale or manufacture, including the possible withdrawal of the product from the market, or may otherwise have an adverse effect on our business.

The availability and amount of reimbursement for our product candidates and the manner in which government and private payers may reimburse for our potential products is uncertain.

In many of the markets where we intend to operate, the prices of pharmaceutical products are subject to direct price controls (by law) and to drug reimbursement programs with varying price control mechanisms.

We expect that many of the patients in the United States who may seek treatment with our products that may be approved for marketing will be eligible for coverage under Medicare, the federal program that provides medical coverage for the aged and disabled. Other patients may be covered by private health plans or may be uninsured. The Medicare program is administered by the Centers for Medicare & Medicaid Services ("CMS"), an agency within the U.S. Department of Health and Human Services. Coverage and reimbursement for products and services under Medicare are determined pursuant to regulations promulgated by CMS and pursuant to CMS's subregulatory coverage and reimbursement determinations. It is difficult to predict how CMS will apply those regulations and subregulatory determinations to novel products such as ours.

Moreover, the methodology under which CMS makes coverage and reimbursement determinations is subject to change, particularly because of budgetary pressures facing the Medicare program. For example, the Medicare Prescription Drug, Improvement, and Modernization Act (the "Medicare Modernization Act"), enacted in 2003, provided for a change in reimbursement methodology that has reduced the Medicare reimbursement rates for many drugs, including oncology therapeutics. Even if our product candidates are approved for marketing in the U.S., if we are unable to obtain or retain coverage and adequate levels of reimbursement from Medicare or from private health plans, our ability to successfully market such products in the U.S. will be adversely affected. The manner and level at which the Medicare program reimburses for services related to our product candidates (e.g., administration services) also may adversely affect our ability to market or sell any of our product candidates that may be approved for marketing in the U.S.

In the U.S., efforts to contain or reduce health care costs have resulted in many legislative and regulatory proposals at both the federal and state level, and it is difficult to predict which, if any, of these proposals will be enacted, and, if so, when. Cost control initiatives by governments or third party payers could decrease the price that we receive for any one or all of our potential products or increase patient coinsurance to a level that makes our product candidates unaffordable for patients. In addition, government and private health plans are more persistently challenging the price and cost-effectiveness of therapeutic products. If third-party payers were to determine that one or more of our product candidates is not cost-effective, this could result in refusal to cover those products or in coverage at a low reimbursement level. Any of these initiatives or developments could prevent us from successfully marketing and selling any of our product candidates.

In the E.U., governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of such products to consumers. The approach taken varies from member state to member state. Some jurisdictions operate positive and/or negative list systems under which products may only be marketed once a reimbursement price has been agreed. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products, as exemplified by the role of the National Institute for Health and Clinical Excellence in the U.K. which evaluates the data supporting new medicines and passes reimbursement recommendations to the government. In addition, in some countries cross-border imports from low-priced markets (parallel imports) exert commercial pressure on pricing within a country.

DCVax® is our only technology in clinical development.

Unlike many pharmaceutical companies that have a number of products in development and which utilize many technologies, we are dependent on the success of our DCVax® platform and, potentially, our CXCR4 antibody technology. While DCVax® technology has a number of potentially beneficial uses, if that core technology is not commercially viable, we would have to rely on the CXCR4 technology, which is at an early pre-clinical stage of development, for our success. If the CXCR4 technology also fails, we currently do not have other technologies to fall back on and our business could fail.

We may be prevented from using the DCVax® name in Europe.

The EMEA has indicated that DCVax® may not be an acceptable name because of the suggested reference to a vaccine. Failure to obtain the approval for the use of the DCVax® name in Europe would require us to market our product candidates in Europe under a different name which could impair the successful marketing of our product candidates and may have a material adverse effect on our results of operations and financial condition.

Competing generic medicinal products may be approved.

In the E.U., there exists a process for the approval of generic biological medicinal products once patent protection and other forms of data and market exclusivity have expired. If generic medicinal products are approved, competition from such products may reduce sales of our products once our patent protection has expired. Other jurisdictions, including the U.S., are considering adopting legislation that would allow the approval of generic biological medicinal products.

We may be exposed to potential product liability claims, and insurance against these claims may not be available to us at a reasonable rate in the future, if at all.

Our business exposes us to potential product liability risks that are inherent in the testing, manufacturing, marketing and sale of therapeutic products. Our insurance coverage may not be adequate to cover claims against us or may not be available to us at an acceptable cost, if at all. Regardless of their merit or eventual outcome, product liability claims may result in decreased demand for a product, injury to our reputation, withdrawal of clinical trial volunteers and loss of revenues. Thus, whether or not we are insured, a product liability claim or product recall may result in losses that could be material.

We use hazardous materials and must comply with environmental, health and safety laws and regulations, which can be expensive and restrict how we do business.

We store, handle, use and dispose of controlled hazardous, radioactive and biological materials in our business. Our current use of these materials generally is below thresholds giving rise to burdensome regulatory requirements. Our development efforts, however, may result in our becoming subject to additional requirements, and if we fail to comply with applicable requirements we could be subject to substantial fines and other sanctions, delays in research and production, and increased operating costs. In addition, if regulated materials were improperly released at our current or former facilities or at locations to which we send materials for disposal, we could be liable for substantial damages and costs, including cleanup costs and personal injury or property damages, and incur delays in research and production and increased operating costs.

Insurance covering certain types of claims of environmental damage or injury resulting from the use of these materials is available but can be expensive and is limited in its coverage. We have no insurance specifically covering environmental risks or personal injury from the use of these materials and if such use results in liability, our business may be seriously harmed.

Toucan Capital and Toucan Partners beneficially own a majority of our shares of common stock and, as a result, the trading price for our common stock may be depressed and these stockholders can take actions that may be adverse to the interests of other investors.

As of August 19, 2008, Toucan Capital and its affiliates, Toucan Partners and Linda F. Powers, collectively owned an aggregate of 21,872,196 shares of our common stock, representing approximately 51.5% of our outstanding common stock. In addition, as of August 14, 2008, Toucan Capital may acquire an aggregate of approximately 22.0 million shares of common stock upon exercise of warrants and Toucan Partners may acquire an aggregate of approximately 8.8 million shares of common stock upon the exercise of warrants, constituting an aggregate beneficial ownership interest of 71.9%, or 52,739,826 shares of common stock. This significant concentration of ownership may adversely affect the trading price of our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Together, Toucan Capital, Toucan Partners and Linda F. Powers have the ability to exert substantial influence over all matters requiring approval by our stockholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, the managing director of Toucan Capital and the managing member of Toucan Partners is the Chairperson of our Board. In light of the foregoing, Toucan Capital and Toucan Partners collectively can significantly influence the management of our business and affairs. This concentration of ownership could result in unfavorable future financing terms or have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation, takeover or other business combination that could be favorable to investors.

Our Certificate of Incorporation and Bylaws and stockholder rights plan may delay or prevent a change in our management.

Our Seventh Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), Third Amended and Restated Bylaws (the "Bylaws") and stockholder rights plan contain provisions that could delay or prevent a change in our management team. Some of these provisions:

- authorize the issuance of preferred stock that can be created and issued by the Board without prior stockholder approval, commonly referred to as "blank check" preferred stock, with rights senior to those of the common stock;
- allow the Board to call special meetings of stockholders at any time but restrict the stockholders from calling special meetings;
- authorize the Board to issue dilutive common stock upon certain events; and
- provide for a classified Board.

These provisions could allow our Board to affect the rights of an investor since the Board can make it more difficult for holders of common stock to replace members of the Board. Because the Board is responsible for appointing the members of the management team, these provisions could in turn affect any attempt to replace the current management team.

There may not be an active, liquid trading market for our common stock.

Our common stock is currently traded on the Over-The-Counter Bulletin Board, or OTCBB, and on AIM, which are generally recognized as being less active markets than NASDAQ, the stock exchange on which our common stock previously was listed. You may not be able to sell your shares at the time or at the price desired. There may be significant consequences associated with our stock trading on the OTCBB rather than a national exchange. The effects of not being able to list our securities on a national exchange include:

- limited release of the market price of our securities;
- limited news coverage;
- limited interest by investors in our securities;
- volatility of our stock price due to low trading volume;
- increased difficulty in selling our securities in certain states due to "blue sky" restrictions; and
- limited ability to issue additional securities or to secure additional financing.

The resale, or the availability for resale, of the shares placed in the PIPE Financing could have a material adverse impact on the market price of our common stock.

The PIPE Financing, completed in March 2006, included the private placement of an aggregate of approximately 2.6 million shares of common stock and accompanying warrants to purchase an aggregate of approximately 1.3 million shares of common stock. In connection with the PIPE Financing, we agreed to register, and subsequently did register, the resale of the shares of common stock sold in the PIPE Financing and the shares underlying the warrants issued in the PIPE Financing. The resale of a substantial number of the shares placed in the PIPE Financing or even the availability of these shares for resale, could have a material adverse impact on our stock price.

Because our common stock is subject to "penny stock" rules, the market for the common stock may be limited.

Because our common stock is subject to the SEC's "penny stock" rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected. Under the "penny stock" rules promulgated under the Exchange Act, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to a transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

As a result of these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our common stock may be adversely affected. As a result, the market price of our common stock may be depressed, and stockholders may find it more difficult to sell our common stock.

The price of our common stock may be highly volatile.

The share price of publicly traded biotechnology and emerging pharmaceutical companies, particularly companies without earnings and consistent product revenues, can be highly volatile and are likely to remain highly volatile in the future. The price at which our common stock is quoted and the price which investors may realize in sales of their shares of our common stock will be influenced by a large number of factors, some specific to us and our operations and some unrelated to our operating performance. These factors could include the performance of our marketing programs, large purchases or sales of the shares, currency fluctuations, legislative changes and general economic conditions. In the past, shareholder class action litigation has often been brought against companies that experience volatility in the market price of their shares. Whether or not meritorious, litigation brought against us following fluctuations in the trading price of our common stock could result in substantial costs, divert management's attention and resources and harm our financial condition and results of operations.

The requirements of the Sarbanes-Oxley Act of 2002 and other U.S. securities laws reporting requirements impose cost and operating challenges on us.

We are subject to certain of the requirements of the Sarbanes-Oxley Act of 2002 in the U.S. and the reporting requirements under the Exchange Act. These laws require, among other things, an attestation report of our independent auditor on the effectiveness of our internal control over financial reporting, currently expected to begin with our annual report for the year ended December 31, 2008, as well as the filing of annual reports on Form 10-K, quarterly reports on Form 10-Q and periodic reports on Form 8-K following the happening of certain material events. To meet these compliance deadlines, we will need to have our internal controls designed, tested and operational to ensure compliance with applicable standards. We initiated the process of documenting and evaluating our internal controls and financial reporting procedures in early 2008. This process is ongoing and likely will continue to be time consuming and will result in us having to significantly change our controls and reporting procedures due to our small number of employees and lack of governance controls. Most similarly-sized companies registered with the SEC have had to incur significant costs to ensure compliance. Moreover, any failure by us to comply with such provisions would be required to be disclosed publicly, which could lead to a loss of public confidence in our internal controls and could harm the market price of our common stock.

Our management has identified significant internal control deficiencies, which management and our independent auditor believe constitute material weaknesses.

In connection with the preparation of our financial statements for the year ended December 31, 2007, certain significant internal control deficiencies became evident to management that, in the aggregate, represent material weaknesses, including:

- lack of a sufficient number of independent directors on our audit committee;
- insufficient segregation of duties in our finance and accounting function due to limited personnel;
- insufficient corporate governance policies; and
- inadequate approval and control over transactions and commitments made on our behalf by related parties.

As part of the communications by our independent auditors with our audit committee with respect to audit procedures for the year ended December 31, 2007, our independent auditors informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board. We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies but we cannot be certain that we will have the necessary financing to address these deficiencies or that we will be able to attract qualified individuals to serve on our Board and to take on key management roles within the Company. Our failure to successfully remediate these issues could lead to heightened risk for financial reporting mistakes and irregularities and a further loss of public confidence in our internal controls that could harm the market price of our common stock.

Our business could be adversely affected by animal rights activists.

Our business activities have involved animal testing. These types of activities have been the subject of controversy and adverse publicity. Some organizations and individuals have attempted to stop animal testing by pressing for legislation and regulation in these areas. To the extent the activities of such groups are successful, our business could be adversely affected. Negative publicity about us, our pre-clinical trials and our product candidates could have an adverse impact on our sales and profitability.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 17, 2008, the Company issued 122,190 shares of common stock pursuant to a letter agreement under which we received an exclusive right to negotiate the terms of a potential transaction in which we would obtain the rights, title and interest to and under a certain license agreement.

The Company claimed exemption from registration under the Securities Act for the issuance of such shares of common stock under Section 4(2) of the Securities Act and/or Regulation D thereunder, as a transaction not involving any public offering. The acquirer of the unregistered shares for which the Company relied on Section 4(2) and/or Regulation D represented to the Company that it was an accredited investor, as defined under the Securities Act. The Company claimed such exemption on the basis that (i) the acquirer represented that it intended to acquire the shares for investment only and not with a view to the distribution thereof and that it either received adequate information about the Company or had access to such information and (ii) appropriate legends were affixed to the stock certificates issued in such transaction.

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Company's annual meeting of stockholders was held on June 13, 2008. The following are the proposals voted upon at the meeting, and the number of votes cast for, against or withheld, as well as the number of abstentions, as applicable, for each proposal:

Proposal 1: Election of R. Steve Harris as Class I Director for a term of three years

For:	24,456,165	Withheld	130,944

Proposal 2: Approval of the 2007 Stock Option Plan

For:	22,265,927	Against:	45,387	Abstain:	2,487	Broker Non-Votes:	2,273,308

Linda F. Powers term as a director will expire at the 2009 Annual Meeting of Stockholders and Alton L. Boynton and Anthony P. Deasey's terms will expire at the 2010 Annual Meeting of Stockholders. R Steve Harris and Anthony P. Deasey have since resigned as directors on June 30, 2008 and August 12, 2008 respectively.

Item 5. Other Information

None

Item 6. Exhibits

3.1	Seventh Amended and Restated Certificate of Incorporation (3.1)(1)
3.2	Third Amended and Restated Bylaws (3.1)(2)
3.3	Amendment to the Seventh Amended and Restated Certificate of Incorporation (3.2)(2)
3.4	Amendment to Seventh Amended and Restated Certificate of Incorporation (3.4)(3)
10.1	Loan Agreement and Promissory Note, dated May 6, 2008, between the Company and Al Rajhi Holdings W.L.L.(4.5)(4)
*31.1	Certification of President and Chief Executive Officer (Principal executive officer and principal financial officer) Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of President and Chief Executive Officer (Principal executive officer and principal financial officer) Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated by reference to the exhibit shown in the preceding parentheses filed with the Registrant's Registration Statement on Form S-1 (File No. 333-67350) on July 17, 2006.

(2) Incorporated by reference to the exhibit shown in the preceding parentheses filed with the Registrant's Current Report on Form 8-K on June 22, 2007.

(3) Incorporated by reference to the exhibit shown in the preceding parentheses filed with the Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-134320) on January 28, 2008.

(4) Incorporated by reference to the exhibit shown in the preceding parentheses filed with the Registrant's Current Report on Form 8-K on May 15, 2008.

* Filed herewith.

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.

NORTHWEST BIOTHERAPEUTICS, INC

Dated: August 19, 2008

By: /s/ Alton L. Boynton
Alton L. Boynton
President and Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)

NORTHWEST BIOTHERAPEUTICS, INC.
(A Development Stage Company)

EXHIBIT INDEX

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* Filed herewith.

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Alton L. Boynton, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Northwest Biotherapeutics, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) I am 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 report is being prepared;

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

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

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

(5) I have disclosed, based on my 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.

Date: August 19, 2008

By: /s/ Alton L. Boynton

Alton L. Boynton
President and Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)

EXHIBIT 32.1

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

In connection with the quarterly report of Northwest Biotherapeutics, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission (the "Report"), I, Alton L. Boynton, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 19, 2008

/s/ Alton L. Boynton
Alton L. Boynton
President and Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)