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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1998
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____

Commission file number 0-22613

AVI BIOPHARMA, INC.
(Exact name of registrant as specified in its charter)

Oregon	93-0797222
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One SW Columbia Street, Suite 1105, Portland, Oregon	97258
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: 503-227-0554

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

YES X NO

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

Common stock without par value	13,338,644
(Class)	(Outstanding at november 9, 1998)

Transitional Small Business Disclosure Format (check one): Yes___ No X_

AVI BIOPHARMA, INC.
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AVI BIOPHARMA, INC.
(A Development Stage Company)
BALANCE SHEETS

	September 30, 1998	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,928,671	$ 17,638,936
Other current assets	525,147	19,042
Total Current Assets	11,453,818	17,657,978
Property and Equipment, net of accumulated depreciation and amortization of $2,354,830 and $2,262,755	390,498	438,820
Patent Costs, net of accumulated amortization of $271,273 and $218,773	702,103	553,063
Deferred Acquisition Costs	-	102,506
Other Assets	29,847	29,847
Total Assets	$ 12,576,266	$ 18,782,214
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 916,333	$ 219,083
Accrued liabilities	252,527	245,369
Total Current Liabilities	1,168,860	464,452
Shareholders' Equity:		
Preferred Stock, $.0001 par value, 2,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $.0001 par value, 50,000,000 shares authorized; 13,338,644 and 11,125,617 issued and outstanding	1,334	1,113
Additional paid-in capital	51,789,824	34,358,122
Deficit accumulated during the development stage	(40,383,752)	(16,041,473)
Total Shareholders' Equity	11,407,406	18,317,762

Total Liabilities and Shareholders' Equity	$ 12,576,266	$ 18,782,214

The accompanying notes are an integral part of these balance sheets.

AVI BIOPHARMA, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,		July 22, 1980 (Inception) to
	1998	1997	1998	1997	September 30, 1998
Revenues, from grants and research contracts	$ 4,977	$ 5,345	$ 16,780	$ 9,100	$ 720,622
Operating expenses:					
Research and development	1,549,133	748,550	4,147,572	2,122,203	15,896,318
General and administrative	366,637	294,418	1,178,587	874,558	7,010,383
Acquired in-process research and development	19,476,091	-	19,476,091	-	19,476,091
	21,391,861	1,042,968	24,802,250	2,996,761	42,382,792
Other Income:					
Interest income, net	128,927	92,988	443,191	184,936	1,181,668
Realized gain on sale of short-term investments	-	-	-	-	96,750
	128,927	92,988	443,191	184,936	1,278,418
Net loss	$(21,257,957)	$ (944,635)	$(24,342,279)	$ (2,802,725)	$ (40,383,752)
Net loss per share - basic and diluted	$ (1.84)	$ (0.09)	$ (2.16)	$ (0.29)	
Weighted average number of common shares outstanding for computing basic and diluted loss per share	11,539,885	11,012,743	11,286,190	9,735,018	

The accompanying notes are an integral part of these statements.

AVI BIOPHARMA, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		For the Period July 22, 1980 (Inception) to
	1998	1997	September 30, 1998
Cash flows from operating activities:			
Net loss	$ (24,342,279)	$ (2,802,725)	$ (40,383,752)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	157,140	348,808	2,674,247
Realized gain on sale of short-term investments - available for sale	-	-	(96,750)
Compensation expense on issuance of common stock and partnership units	-	-	182,392
Compensation expense on issuance of options and warrants to purchase common stock or partnership units	-	98,802	562,353
Conversion of interest accrued to common stock	-	-	7,860
Acquired in-process research and development	19,476,091	-	19,476,091
(Increase) decrease in:			
Other current assets	(506,105)	(8,754)	(525,147)
Other assets	-	-	(29,847)

Net increase in accounts payable and accrued liabilities	704,408	489,715	1,168,860
Net cash used in operating activities	(4,510,745)	(1,874,154)	(16,963,693)
Cash flows from investing activities:			
Proceeds from sale or redemption of short-term investments	-	30,000	247,750
Purchase of property and equipment	(56,318)	(138,872)	(2,793,472)
Patent costs	(201,540)	(112,491)	(973,376)
Acquisition costs	(2,126,535)	-	(2,229,041)
Net cash used in investing activities	(2,384,393)	(221,363)	(5,748,139)
Cash flows from financing activities:			
Proceeds from sale of common stock, warrants, and partnership units, net of offering costs, and exercise of options	184,873	17,831,373	34,025,940
Buyback of common stock pursuant to rescission offering	-	(288,795)	(288,795)
Withdrawal of partnership net assets	-	-	(176,642)
Issuance of convertible debt	-	-	80,000
Net cash provided by financing activities	184,873	17,542,578	33,640,503
Increase (decrease) in cash and cash equivalents	(6,710,265)	15,447,061	10,928,671
Cash and cash equivalents:			
Beginning of period	17,638,936	3,011,229	-
End of period	$ 10,928,671	$ 18,458,290	$ 10,928,671

The accompanying notes are an integral part of these statements.

AVI BIOPHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION
The financial information included herein for the three and nine-month periods ended September 30, 1998 and 1997 and the financial information as of September 30, 1998 is unaudited; however, such information reflects all adjustments consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The financial information as of December 31, 1997 is derived from AVI BioPharma, Inc.'s (the Company's) Form 10-KSB. The interim financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-KSB. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

NOTE 2. EARNINGS PER SHARE
Beginning December 31, 1997, basic earnings per share (EPS) and diluted EPS are computed using the methods prescribed by Statement of Financial Accounting Standard No. 128, EARNINGS PER SHARE (SFAS 128). Basic EPS is calculated using the weighted average number of common shares outstanding for the period and diluted EPS is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding. Prior period amounts have been restated to conform with the presentation requirements of SFAS 128. Given that the Company is in a loss position, there is no difference between basic EPS and diluted EPS since the common stock equivalents would be antidilutive. This restatement to conform with the presentation requirements of SFAS 128 resulted in no change to previously reported numbers.

The Company's net loss for the 1998 third quarter and nine month period include a one-time charge of $19,476,091, or $1.69 per share, for acquired in-process research and development, reflecting the recently completed acquisition of ImmunoTherapy Corporation (Note 3).

Three Months Ended September 30,	1998	1997
Net loss	$(21,257,957)	$ (944,635)

Weighted average number of shares of common stock and common stock equivalents outstanding:		
Weighted average number of common shares outstanding for computing basic earnings per share	11,539,885	11,012,743
Dilutive effect of warrants and stock options after application of the treasury stock method	*	*
Weighted average number of common shares outstanding for computing diluted earnings per share	11,539,885	11,012,743
Net loss per share - basic and diluted	$ (1.84)	$ (0.09)

Nine Months Ended September 30,	1998	1997
Net loss	$(24,342,279)	$(2,802,725)
Weighted average number of shares of common stock and common stock equivalents outstanding:		
Weighted average number of common shares outstanding for computing basic earnings per share	11,286,190	9,735,018
Dilutive effect of warrants and stock options after application of the treasury stock method	*	*
Weighted average number of common shares outstanding for computing diluted earnings per share	11,286,190	9,735,018
Net loss per share - basic and diluted	$ (2.16)	$ (0.29)

* The following common stock equivalents are excluded from earnings per share calculation as their effect would have been antidilutive:

Three Months Ended September 30,	1998	1997
Warrants and stock options	7,024,233	4,420,226

Nine Months Ended September 30,	1998	1997
Warrants and stock options	7,024,233	4,420,226

NOTE 3. ACQUISITION

On September 15, 1998, the Company acquired all of the equity of ImmunoTherapy Corporation (ITC), a privately held biotechnology company based in Seattle, Washington. ITC was in the process of developing a therapeutic vaccine targeting cancer. The preliminary purchase consideration consisted of 2,142,470 shares of AVI BioPharma common stock and 2,126,683 warrants to purchase AVI BioPharma common stock. The transaction was accounted for as a purchase. In

connection with the purchase price allocation, the Company estimated that substantially all of the intangible assets consist of research and development projects in process. At that time, the development of these projects had not reached technology feasibility and the technology was believed to have no alternative future use. In accordance with generally accepted accounting principles, a one-time charge for acquired in-process research and development of $19,476,091, or $1.69 per share, has been reflected in the accompanying financial statements.

The value assigned to purchased in-process technology was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from the expected product sales of such products, and discounting the net cash flows to their present value using a risk-adjusted discount rate.

Remaining development efforts for the acquired R&D projects include various stages of clinical testing and development work to manufacture the product in accordance with functional and commercial specifications. If none of these products is successfully developed,

the sales and profitability of the combined company may be adversely affected in future periods.

Unaudited pro forma combined statements of operations assume the ITC acquisition occurred at beginning of each period and exclude acquired in-process research and development are as follows:

Three Months Ended September 30,	1998	1997
Revenues	$ 4,977	$ 5,345
Net loss	(2,061,316)	(1,275,758)
Net loss per share - basic and diluted	$ (0.15)	$ (0.10)

Nine Months Ended September 30,	1998	1997
Revenues	$ 16,780	$ 9,100
Net loss	(5,816,317)	(3,796,095)
Net loss per share - basic and diluted	$ (0.44)	$ (0.32)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD-LOOKING INFORMATION

The Financial Statements and Notes thereto should be read in conjunction with the following discussion. The discussion in this Form 10-QSB contains certain forward-looking statements that involve risks and uncertainties, including, but not limited to, the results of research and development efforts, the results of pre-clinical and clinical testing, the effect of regulation by FDA and other agencies, the impact of competitive products, product development, commercialization and technological difficulties, and other risks detailed in the Company's Securities and Exchange Commission filings.

OVERVIEW

From its inception in July 1980, the Company has devoted its resources primarily to fund its research and development efforts. The Company has been unprofitable since inception and, other than limited interest and grant revenue, has had no

material revenues from the sale of products or other sources, and does not expect material revenues for at least the next 12 months. The Company expects to continue to incur losses for the foreseeable future as it expands its research and development efforts. As of September 30, 1998, the Company's accumulated deficit was $40,383,752.

RESULTS OF OPERATIONS

Operating expenses increased to $21,391,861 in the third quarter of 1998 from $1,042,968 in the third quarter of 1997 and to $24,802,250 for the nine months ended September 30, 1998 from $2,996,761 for the comparable period of 1997 principally due in each case to a one-time charge of $19,476,091 for acquired in-process research and development reflecting the recently completed acquisition of ITC and increases in research and development staffing and increased expenses associated with outside collaborations and pre-clinical testing of the Company's technologies. In connection with the purchase price allocation for ITC, the Company estimated the fair value of the intangible assets which indicated that the majority of all of the acquired intangible assets consisted of research and development projects in process. At that time, the development of these projects had not reached technological feasibility and the technology was believed to have no alternative future use. In accordance with generally accepted accounting principles, the acquired in-process research and development has been reflected in the accompanying financial statements. The Company currently believes that the research and development efforts may result in commercially feasible products after at least 36 months and at an additional estimated cost of at least $10 million. Additionally, increased general and administrative costs were incurred to support the research expansion, and to broaden the Company's investor and public relations efforts due to its change in status to a public company in mid-1997. Net interest income increased to $128,927 in the third quarter of 1998 from $92,988 in the third quarter of 1997 and to $443,191 for the nine months ended September 30, 1998 from $184,936 for the comparable period in 1997 due to earnings on increased cash balances, which consisted of proceeds from the initial public offering.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were $10,928,671 at September 30, 1998, compared with $17,638,936 at December 31, 1997. The decrease of $6,710,265 was primarily due to payment of liabilities incurred by, and as part of the acquisition of ITC, increases in research and development staffing and increased expenses associated with outside collaborations and pre-clinical testing of the Company's technologies. Additionally, increased general and administrative costs were incurred to support the research expansion, to broaden the Company's investor and public relations efforts due to its change in status to a public company in mid-1997, and to advance funding to ImmunoTherapy Corporation as part of the Company's acquisition thereof.

The Company's future expenditures and capital requirements will depend on numerous factors, including without limitation, the progress of its research and development programs, the progress of its pre-clinical and clinical trials, the time and costs involved in obtaining regulatory approvals, the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, the ability of the Company to establish collaborative arrangements and the terms of any such arrangements, and the costs associated with commercialization of its products. The Company's cash requirements are expected to continue to increase significantly each year as it expands its activities and operations. There can be no assurance, however, that the Company will ever be able to generate product revenues or achieve or sustain profitability.

The Company expects that its cash requirements over the next twelve months will be satisfied by existing cash resources.

YEAR 2000

The Year 2000 issue results from computer programs operating incorrectly when

the calendar year changes to January 1, 2000. Computer programs that have date-sensitive software may recognize a two-digit date using "00" as calendar year 1900 rather than the year 2000. This could result in system failure or miscalculations and could cause disruptions of operations, including, among other things, a temporary inability to engage in normal business activities.

The Company has evaluated its technology and data, including imbedded non-informational technology, used in the creation and development of its products and services and in its internal operations and has identified no significant Year 2000 issues. The core business systems are compliant, or a migration path to a compliant version will be in place by the year 2000. The Company has not incurred material costs and believes that future costs associated with addressing the Year 2000 issue will have an immaterial effect on the Company's financial results.

Although the Company has inquired of certain of its significant vendors as to the status of their Year 2000 compliance initiatives, no binding assurances have been received. The Company believes that parts and services used in normal operations can be obtained from multiple sources and therefore is not overly reliant on any single vendor. Failure of telephone service providers or other monopolistic utilities could have a significant detrimental effect on the Company's operations. There can be no assurances that such third parties will successfully address their own Year 2000 issues over which the Company has no control.

PART II - OTHER INFORMATION

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

On August 31, 1998, at the Annual Meeting of the Company's Shareholders, the shareholders approved each of the proposals set forth in the Company's Proxy Statement dated August 7, 1998, briefly described below:

(i) The shareholders were asked to approve the issuance of shares of Common Stock and Warrants in connection with an Agreement and Plan of Reorganization relating to the merger of ImmunoTherapy Corporation with and into a subsidiary of the Company. The proposal was approved by the shareholders, as 6,298,337 votes were cast for the proposal, 193,578 votes were cast against, and 22,564 abstained.

(ii) The shareholders were requested to elect the following individuals to the Board of Directors:

NOMINEE	FOR	WITHHELD
James P. Hicks, Ph.D.	6,271,777	242,702
Joseph Rubinfeld, Ph.D.	6,333,638	180,841
Alan P. Timmins	6,259,596	254,883
Dwight D. Weller, Ph.D.	6,333,315	181,164

The foregoing directors were approved.

(iii) The shareholders were asked to approve an amendment to the Company's 1992 Stock Incentive Plan to increase the shares reserved therefor. The proposal was approved by the shareholders, as 5,991,651 votes were cast for the proposal, 462,959 votes were cast against, and 59,869 abstained.

(iv) The shareholders were asked to approve the assumption of the ImmunoTherapy Corporation 1997 Stock Option Plan by the Company. The proposal was approved by the shareholders, as 6,232,919 votes were cast for the proposal, 228,664 votes were cast against, and 52,896 votes abstained.

(v) The shareholders were asked to approve an amendment to the Third Amended and Restated Articles of Incorporation of the Company, changing the name of the Company to AVI BioPharma, Inc. The proposal was approved by the shareholders,

as 6,266,030 votes were cast for the proposal, 230,884 votes were cast against, and 18,065 votes abstained.

(vi) The shareholders were asked to approve the selection of Arthur Andersen LLP as the Company's independent auditors. The proposal was approved by the shareholders, as 6,375,751 votes were cast for the proposal, 108,916 votes were against, and 29,812 votes abstained.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The exhibit filed as a part of this report is listed below and this list constitutes the exhibit index.

Exhibit No.	
27	Financial Data Schedule

(b) Reports on Form 8-K

On September 30, 1998, the Company filed the following current report on Form 8-K under Item 2. Acquisition or Disposition of Assets, Item 5. Other Events and Item 7. Financial Statements of Business Acquired:

Date of Report	Topic
September 30, 1998	Merger of ImmunoTherapy Corporation into a subsidiary of the Company and Change of Name to AVI BioPharma, Inc.

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.

Date: November 9, 1998

AVI BIOPHARMA, INC.

By: /s/ DENIS R. BURGER, Ph.D.

Denis R. Burger, Ph.D.
President, Chief Executive Officer
and Chairman (of the Board of Directors)
(Principal Executive Officer)

By: /s/ ALAN P. TIMMINS

Alan P. Timmins
Chief Operating Officer,
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

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