

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (date of earliest event reported) December 31, 1997

OXIS INTERNATIONAL, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

Delaware 0-8092 94-1620407

(State or Other Jurisdiction (Commission File Number) (IRS Employer
of Incorporation) Identification Number)

6040 N. Cutter Circle, Suite 317 Portland, OR 97217-3935

(Address of Principal Executive Offices)

Registrant's telephone number, including area code. (503) 283-3911

(Former Name or Former Address, if Changed Since Last Report)

Total number of sequentially
numbered pages: 23

Exhibit Index at page: 4

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) and (b) Financial Statements and Pro Forma Financial Information

On January 15, 1998 the Company filed a Report on Form 8-K reporting the acquisition of Innovative Medical Systems Corp. ("IMS"). The Report on Form 8-K indicated that additional financial information would be filed under cover of a Form 8-K/A report. The additional financial information is provided herewith, as follows.

* Financial statements of IMS as of, and for the years ended October 31, 1996 and 1997.

* Pro forma balance sheets for OXIS and IMS combined as of September 30, 1997.

* Pro forma statements of operations for OXIS and IMS combined for the year ended December 31, 1996 and for the nine months ended September 30, 1997.

(c) Exhibits

Exhibit 23(a) Independent auditors consent.

Exhibit 99(a) Audited financial statements of IMS as of, and for the two years ended October 31, 1997.

Exhibit 99(b) Unaudited pro forma financial information including:

* A pro forma balance sheet for the two companies combined as of September 30, 1997.

* A pro forma statement of operations for the two companies combined for the year ended December 31, 1996.

* A pro forma statement of operations for the two companies combined for the nine months ended September 30, 1997.

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SIGNATURE

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 hereunto duly authorized.

March 12, 1998

OXIS International, Inc.

s/ Ray R. Rogers

Ray R. Rogers
Chairman of the Board

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EXHIBIT INDEX

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99(a) Audited financial statements of IMS as of, and for the two years ended October 31, 1997	6
99(b) Unaudited pro forma financial information including:	17
* A pro forma balance sheet for the two companies combined as of September 30, 1997.	
* A pro forma statement of operations for the two companies combined for the year ended December 31, 1996.	
* A pro forma statement of operations for the two companies combined for the nine months ended September 30, 1997.	

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Exhibit 23(a)
Independent Auditors' Consent

Albertjohn DePalantino & Co.
350 South Main Street, Suite 117
Doylestown, PA 18901

We consent to the incorporation by reference in Registration Statement No 33-64451 on Form S-8 of OXIS International, Inc and Registration Statement Nos. 33-61087, 333-5921 and 333-18041 on Form S-3 of OXIS International, Inc of our report dated January 31, 1998, on the financial statements of Innovative Medical Systems Corp appearing in the Form 8-K/A Current Report of OXIS International Inc, dated March 12, 1998.

/s/ DePalantino & Company

DePalantino & Company

March 12, 1998

Exhibit 99(a)
Innovative Medical Systems Corp. Audited Financial Statements

Albertjohn DePalantino & Co.
350 South Main Street, Suite 117
Doylestown, PA 18901

January 31, 1998

Board of Directors and Stockholders
INNOVATIVE MEDICAL SYSTEMS CORP
55 Steam Whistle Drive
Ivyland, PA 18974

We have audited the accompanying balance sheets of INNOVATIVE MEDICAL SYSTEMS CORP as of October 31, 1997 and 1996, and the related statements of income, changes in stockholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INNOVATIVE MEDICAL SYSTEMS CORP as of October 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ DePalantino & Company

DePalantino & Company

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INNOVATIVE MEDICAL SYSTEMS CORP

Balance Sheet
October 31, 1997 and 1996

<TABLE>
<CAPTION>
ASSETS

	1997	1996
	-----	-----
<S>	<C>	<C>
Current assets		

Cash and cash equivalents	\$ 28,836	\$ 376
Accounts receivable, less allowance for doubtful accounts of \$13,891 and \$14,477 respectively	449,149	709,379
Inventories	1,022,660	985,836
Prepaid expenses and other	21,804	31,606
	-----	-----
Total current assets	1,522,449	1,727,197
	-----	-----

Property, plant and equipment, at cost			

Land	77,648	77,648	
Building & improvements	1,780,213	1,780,213	
Machinery & equipment	1,728,934	1,746,667	
	-----	-----	
	3,586,795	3,604,528	
Less: accumulated depreciation	-----	-----	
	1,802,059	1,981,793	
	-----	-----	
Other assets			

Refinance cost, net of amortization of \$4,677 and \$0 respectively		65,484	70,161
Covenant not-to-compete, net of amortization of \$225,000 and \$175,000 respectively		0	75,000
	-----	-----	
Total other assets	65,484	145,161	
	-----	-----	
TOTAL ASSETS	\$ 3,389,992	\$ 3,854,151	
	=====	=====	

</TABLE>

See accompanying notes to financial statements.

INNOVATIVE MEDICAL SYSTEMS CORP

Balance Sheet
October 31, 1997 and 1996

LIABILITIES AND STOCKHOLDERS EQUITY

<TABLE>

<CAPTION>

	1997	1996
	-----	-----
	<C>	<C>
Current liabilities		

Revolving loan agreement	\$ 389,345	\$ 535,138
Current portion of long-term debt	216,007	123,129
Accounts payable	375,198	175,098
Payroll taxes due	2,594	1,758
Deferred income	175,000	0
Accrued expenses	118,074	50,270
	-----	-----
Total current liabilities	1,276,218	885,393
	-----	-----
Long-term liabilities		

Long-term debt, net of current portion	1,486,204	1,539,371
	-----	-----
Total long-term liabilities	1,486,204	1,539,371
	-----	-----
TOTAL LIABILITIES	2,762,422	2,424,764
	-----	-----

Stockholders' equity

Common stock, no par value, 1,000,000 shares authorized; 627,600	21,087	21,087	
Additional paid-in capital	717,795	717,795	
Retained earnings	1,388,688	2,190,505	
Less: treasury stock, 176,500 shares at cost	(1,500,000)	(1,500,000)	
	-----	-----	
Total stockholders' equity	627,570	1,429,387	
	-----	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 3,389,992	\$ 3,854,151
	=====	=====	

</TABLE>

See accompanying notes to financial statements.

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<TABLE>
<CAPTION>

INNOVATIVE MEDICAL SYSTEMS CORP
Statement of retained earnings
October 31, 1997 and 1996

	1997	1996	
	-----	-----	
Balance - beginning	\$ 2,190,505	\$ 2,393,333	
Net loss for years ended October 31, 1997 and 1996	(801,817)	(202,828)	
	-----	-----	
Balance - ending	\$ 1,388,688	\$ 2,190,505	
	=====	=====	

</TABLE>

See accompanying notes to financial statements.

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<TABLE>
<CAPTION>

INNOVATIVE MEDICAL SYSTEMS CORP
Statement of cash flows
Years ended October 31, 1997 and 1996

	1997	1996	
	-----	-----	
Net loss after tax	\$ (801,817)	\$ (202,828)	
Depreciation and amortization	259,411	291,210	
Accounts receivable	260,230	205,281	
Inventory	(36,824)	263,158	
Other current assets	9,802	15,010	
Accounts payable	200,100	(12,036)	
Accrued expenses	68,640	(25,377)	
Income tax payable and deferred income taxes		0	(215,321)
Deferred income	175,000	0	
	-----	-----	

Operating cash flow	134,542	319,097
Gross fixed assets	0	(33,418)
Intangible and other noncurrent assets	0	(70,161)
Investing cash flow	0	(103,579)
Cash flow before financing	134,542	215,518
Short-term debt	(52,915)	(237,954)
Long-term debt	(53,167)	22,147
Financing cash flow	\$ (106,082)	\$ (215,807)
Comprehensive cash flow		
Beginning cash	\$ 376	\$ 665
Plus: Operating Cash Flow	134,542	319,097
Investing cash flow	0	(103,579)
Financing cash flow	(106,082)	(215,807)
Ending cash	\$ 28,836	\$ 376

</TABLE>

See accompanying notes to financial statements.

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<TABLE>

<CAPTION>

INNOVATIVE MEDICAL SYSTEMS CORP

Income statement

Years ended October 31, 1997 and 1996

	1997 AMOUNT	1996 AMOUNT
<S>	<C>	<C>
Net sales	\$ 2,212,723	\$ 3,445,631
Direct expenses		
Cost of goods sold		
Finished goods inventory, beginning	65,728	254,299
Cost of goods manufactured	1,718,771	2,048,841
Cost of finished goods available	1,784,499	2,303,140
Finished goods inventory, ending	16,625	65,728
Cost of goods sold	1,767,874	2,237,412
Development costs	0	308,487
Engineering salaries	208,200	358,489
Total direct expenses	1,976,074	2,904,388
Gross profit	236,649	541,243
Operating expenses		
Selling	51,462	106,138
Office and administrative	793,082	636,181
Total operating expenses	844,544	742,319

Income from operations before other income and expenses	(607,895)	(201,076)
Other income and expense		
Interest expense	(224,550)	(231,700)
Finance charge income	0	73,664
Loss on sale of fixed assets	0	(5,182)
Corporate income tax	30,628	161,466
NET LOSS	\$ (801,817)	\$ (202,828)
Loss per share	\$ (1.28)	\$ (0.32)
Weighted average number of shares used in computation	627,600	627,600

</TABLE>

See accompanying notes to financial statements.

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INNOVATIVE MEDICAL SYSTEMS CORP

Notes to financial statements
October 31, 1997 and 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

INNOVATIVE MEDICAL SYSTEMS CORP was incorporated under the laws of the State of Pennsylvania on December 8, 1976. The corporation is a C Corporation.

INNOVATIVE MEDICAL SYSTEMS CORP is primarily engaged in the design and manufacture of medical equipment. The company's financial statements are presented in accordance with generally accepted accounting principles.

REVENUE RECOGNITION

Revenue from the manufacture of medical equipment is generally recognized when products are shipped to the customer. Income is reported on the accrual method for financial statement purposes.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined generally on a first-in, first-out (FIFO) method. Valuations are based on the cost of material, direct labor and manufacturing overhead, and do not exceed net realizable values. Inventories are comprised of the following components:

<TABLE>

<CAPTION>

	October 31, 1997	October 31, 1996
	<C>	<C>
Raw materials	\$843,355	\$794,097
Work in process	162,680	126,011
Finished goods	16,625	65,728
	\$1,022,660	\$985,836

</TABLE>

Cost of work-in-process includes purchased materials, direct labor and allocated overhead.

ACCOUNTS RECEIVABLE - TRADE

It is the management's policy to write-off uncollected accounts receivable at the time their collection becomes doubtful. A provision for doubtful accounts is maintained at approximately 3% of the accounts receivable balance, an amount management deems appropriate.

See accompanying notes to financial statements.

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INNOVATIVE MEDICAL SYSTEMS CORP

Notes to financial statements
October 31, 1997 and 1996

FIXED ASSETS AND ACCUMULATED DEPRECIATION

Fixed assets are recorded at their cost and include expenditures for major improvements that substantially increase their useful life. Repairs and maintenance are expensed as incurred.

For financial reporting purposes, depreciation is provided generally on a straight-line basis over the estimated useful lives of the related assets. For income tax purposes, depreciation is computed by using various accelerated methods and, in some cases, different useful lives than those used for financial reporting purposes.

The following net fixed assets remain at October 31, 1997:

<TABLE>	
<S>	<C>
Building and improvements	\$1,463,309
Machinery and equipment	161,513
Tooling	99,589

DEFERRED INCOME TAXES

The company has adopted Statement of Financial Accounting Standard (SFAS) No 109, "Accounting for Income Taxes". SFAS No 109 requires under the liability method, that deferred tax liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Deferred income taxes have been provided for timing differences, resulting from depreciation expense which is recognized differently for income tax and financial reporting purposes.

2. LOANS

The following loans are outstanding at October 31, 1997:

<TABLE>		
<CAPTION>		
Current	Long Term	Total
-----	-----	-----

<S>	<C>	<C>	<C>	<C>
Mellon Bank		\$389,345	\$ 0	\$ 389,345
AT&T Small Business Lending		53,167	1,486,204	1,539,371
Shareholders		162,840	0	162,840
		-----	-----	-----
Total		\$605,352	\$1,486,204	\$2,091,556

</TABLE>

See accompanying notes to financial statements.

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INNOVATIVE MEDICAL SYSTEMS CORP

Notes to financial statements
October 31, 1997 and 1996

The \$1,539,371 loan due to AT&T Small Business Lending Corp is a mortgage on the building. This is a 15-year mortgage. The interest rate is 10.25%. The Building, equipment and machinery and all contract rights and general intangibles are held as collateral for this mortgage.

The \$389,345 due to Mellon Bank is owed pursuant to a line of credit. The inventory and accounts receivable are collateral for this loan. The formula used to determine the borrowing base is 80% of eligible accounts receivable and 20% of eligible inventory. At October 31, 1997 Innovative Medical Systems Corp was in default of this loan.

On September 30, 1994 the company bought back a large portion of stock from a major shareholder. At that time the company entered into an agreement to pay \$225,000 over three years for a covenant not-to-compete. At October 31, 1997 the balance owed was \$45,156.

There are additional shareholders loans due of \$117,684 at October 31, 1997. They are all due within one year. Interest is due at 10%.

The aggregate annual maturates of long-term debt during the years ending October 31, 1999 to 2002 are as follows: 1999 - \$57,752; 2000 - \$63,958; 2001 - \$70,830; 2002 - \$78,441.

3. PENSION

The company sponsors a 401(k)-pension plan. An employee can contribute up to 6% of their annual pay. The company will match 10% of an employees contribution. For 1997 the amount of pension expense included in administrative expenses was \$2,195.

4. DEFERRED INCOME

Revenues received in advance from engineering projects are recognized on engineering hours. This method is used because management considers hours incurred to be the best available measure of progress on these projects.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The \$175,000 in Deferred Income was a payment in advance for units not completed or shipped at October 31, 1997. These units were included in the Work in Process inventory.

See accompanying notes to financial statements.

INNOVATIVE MEDICAL SYSTEMS CORP

Notes to financial statements
October 31, 1997 and 1996

5. INCOME

The Net Sales includes both the sale of equipment and development income in the following amounts:

<TABLE>
<CAPTION>

	October 31, 1997	October 31, 1996
Manufacturing Sales	\$1,913,025	\$2,845,875
Engineering fees	299,698	599,756
Net Sales	\$2,212,723	\$3,445,631

</TABLE>

The "Net Sales" is the total sales net of discounts, returns and allowances and royalty payments.

6. OTHER ASSETS

Covenant not-to-compete

A covenant-not-to-compete was entered into with the previous shareholder of INNOVATIVE MEDICAL SYSTEMS CORP. This amount, valued at \$225,000, has been capitalized and is being amortized over the three-year term of the agreement.

The refinance costs were incurred on the refinancing of the mortgage to AT&T and the refinance of the line of credit with Mellon Bank. These costs are being amortized over fifteen years.

7. INCOME TAXES (BENEFIT)

The provision for income taxes (benefit) is as follows:

<TABLE>
<CAPTION>

	October 31, 1997	October 31, 1996
Currently payable	\$ 0	\$ 0
Deferred	(30,628)	(161,466)
	\$ (30,628)	\$(161,466)

</TABLE>

The losses of Innovative Medical Systems Corp for income tax purposes resulted

in the recognition of deferred income tax for October 31, 1996 and a refund of income taxes for October 31, 1997. There is a loss carryforward for tax purposes of \$727,334. The entire carryforward expires October 31, 2012.

See accompanying notes to financial statements.

INNOVATIVE MEDICAL SYSTEMS CORP

Notes to financial statements
October 31, 1997 and 1996

Deferred Taxes Deferred taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carryforwards.

The tax effects of significant items comprising Innovative Medical Systems Corp's deferred taxes as of October 31, 1997 were as follows:

<TABLE>
<CAPTION>

	October 31, 1997	October 31, 1996
Deferred tax assets:		
<S>	<C>	<C>
Federal net operating loss carryforward		\$ 247,284
Impact of temporary differences		117,586
Total	344,252	117,586
Valuation allowance	(344,252)	(117,586)
Net deferred taxes	\$ 0	\$ 0

</TABLE>

Temporary differences result from depreciation of fixed assets.

Statement of Financial Accounting Standards No 109 requires that the tax benefit of net operating losses and temporary differences be recorded as an asset to the extent that management assesses that realization is "more likely than not". Realization of the future tax benefits is dependent on Innovative Medical Systems Corp's ability to generate sufficient taxable income within the carryforward. Because of Innovative Medical Systems Corp's recent history of operating losses, management has provided a valuation allowance for its net deferred tax assets.

8. SUBSEQUENT STOCK EXCHANGE

On December 31, 1997 100% of the outstanding stock of Innovative Medical Systems Corp was exchanged for stock of OXIS International Inc. At that date Oxis International Inc became the 100% shareholder of Innovative Medical Systems Corp.

See accompanying notes to financial statements.

Exhibit 99(b)

OXIS International, Inc. and Innovative Medical Systems Corp.

Unaudited Pro Forma Financial Information

On December 31, 1997, OXIS International, Inc. ("OXIS") consummated the acquisition of Innovative Medical Systems Corp. ("IMS") pursuant to a transaction whereby OXIS acquired all of the outstanding stock of IMS. The unaudited pro forma financial information presented below combines the balance sheets of OXIS as of September 30, 1997, with the balance sheet of IMS as of July 31, 1997, and the statements of operations of OXIS for the year ended December 31, 1996, and nine months ended September 30, 1997 with the statements of operations of IMS for the year ended October 31, 1996 and the nine months ended July 31, 1997, respectively. This pro forma combination gives effect to the following assumptions.

- * That the acquisition of IMS by OXIS occurred at the beginning of each of the periods presented.
- * That the acquisition of IMS would be accounted for as a purchase.
- * That the purchase price paid by OXIS to acquire IMS would be \$1,559,000, consisting of: (1) 1,000,000 shares of OXIS common stock issued and (2) the present value of expected minimum future payments aggregating \$1,250,000. The shares of common stock issued have been valued at the average per share closing price of OXIS' common stock for the three trading days before and after November 1, 1997, the date on which the two companies reached agreement on the purchase price.

It should be noted that the unaudited pro forma financial information:

- * does not give effect to any costs of combining the companies or to any efficiencies in operations that could be achieved by combining the companies,
- * does not purport to be indicative either of the results of operations that would have occurred had the acquisition been consummated at the date indicated, or of future combined results of operations of the companies.

The unaudited pro forma financial information presented below should be read in conjunction with the notes hereto and the separate financial statements of the two companies. Unaudited financial statements of the Company as of September 30, 1997 are included in the Company's third quarter Form 10-Q report filed with the Securities and Exchange Commission. Financial statements of IMS as of and for the years ended October 31, 1996 and 1997 are included in this report on Form 8-K/A.

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Unaudited Pro Forma Balance Sheet of
OXIS International, Inc.
(OXIS International, Inc. and Innovative Medical Systems Corp.)
Combined as of September 30, 1997

<TABLE>
<CAPTION>

ASSETS	OXIS	Pro forma IMS	Pro forma adjustments	combined
<S>	<C>	<C>	<C>	<C>
Current assets:				
Cash and cash equivalents	\$2,752,000	\$ 0		\$ 2,752,000
Accounts receivable	882,000	459,000		1,341,000
Inventories	733,000	1,050,000		1,783,000
Prepaid and other	373,000	38,000		411,000

Total current assets	4,740,000	1,547,000		6,287,000
Property and equipment, net	1,214,000	1,857,000	\$770,000 (1)	3,841,000
Technology for developed products and custom assays, net	3,244,000	0		3,244,000
Other assets	255,000	72,000		327,000
Total assets	\$9,453,000	\$3,476,000	\$770,000	\$13,699,000

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Notes payable	\$1,148,000	\$ 407,000		\$ 1,555,000
Accounts payable	1,348,000	399,000		1,747,000
Customer deposits	116,000	0		116,000
Accrued liabilities	579,000	207,000		786,000
Current portion of long-term debt	9,000	219,000		228,000
Total current liabilities	3,200,000	1,232,000	0	4,432,000

Long-term debt after one year		1,455,000		1,455,000
-------------------------------	--	-----------	--	-----------

Shareholders' equity:

Preferred stock	16,000	0		16,000
Common stock				
OXIS	13,287,000	500,000 (1)		13,787,000
IMS	21,000	(21,000)(1)		0
Additional paid in capital				
OXIS	30,321,000	1,059,000 (1)		31,380,000
IMS	718,000	(718,000)(1)		0
Retained Earnings				
OXIS	(37,132,000)			(37,132,000)
IMS	1,550,000	(1,550,000)(1)		0
Treasury stock		(1,500,000)	1,500,000 (1)	
Accumulated translation adjustments	(239,000)		0	(239,000)
Total shareholders' equity	6,253,000	789,000	770,000	7,812,000

Total liabilities and shareholders' equity	\$9,453,000	\$3,476,000	\$770,000	\$13,699,000
--	-------------	-------------	-----------	--------------

</TABLE>

NOTES TO UNAUDITED PRO FORMA BALANCE SHEET SEPTEMBER 30, 1997

- To reflect the pro forma purchase price, \$1,559,000, paid to acquire IMS, consisting of: (1) 1,000,000 shares of OXIS common stock issued and (2) the present value of expected minimum future payments (to be paid in shares of OXIS common stock) aggregating \$1,250,000. The shares of common stock issued have been valued at the average per share closing price of OXIS' common stock for the three trading days before and after November 1, 1997, the date on which the two companies reached agreement on the purchase price. The excess of the pro forma purchase price over the shareholders' equity of IMS has been allocated to property and equipment.

Stock issued in connection with the acquisition has been recorded in shareholders' equity as follows:

Common stock, 1,000,000 shares at

\$.50 par value	\$ 500,000
Additional paid-in capital	1,059,000

	\$ 1,559,000
	=====

2. In addition to the minimum payments of \$1,250,000, the stockholders of IMS may receive additional payments (in OXIS common stock) of up to \$2,250,000 depending on future revenues of IMS through 2002. No effect has been given in the pro forma balance sheet to the potential additional payments.

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Unaudited Pro Forma Statement of Operations
OXIS International, Inc.
(OXIS International, Inc. and Innovative Medical Systems Corp.)
Combined for the year ended December 31, 1996

<TABLE>
<CAPTION>

	OXIS	Pro forma	Pro forma	
	<C>	IMS	adjustments	combined
<S>	<C>	<C>	<C>	<C>
Revenues:				
Sales	\$ 4,802,000	\$3,446,000		\$ 8,248,000
Royalties	65,000			65,000
	-----	-----	-----	-----
Total revenues	4,867,000	3,446,000		8,313,000
Costs and expenses:				
Cost of sales	3,009,000	2,904,000	\$ 124,000 (1)	6,037,000
Research and development		4,908,000		4,908,000
Sales, general and administrative		2,841,000	748,000	31,000 (1)
	-----	-----	-----	-----
Total costs and expenses	10,758,000	3,652,000	155,000	14,565,000
Operating loss	(5,891,000)	(206,000)	(155,000)	(6,252,000)
Interest income and finance charges		37,000	74,000	111,000
Interest expense	(138,000)	(232,000)		(370,000)
	-----	-----	-----	-----
Net loss before income tax credits	(5,992,000)	(364,000)	(155,000)	(6,511,000)
Credit for income taxes		0	161,000	161,000
	-----	-----	-----	-----
Net Loss	<u>\$ (5,992,000)</u>	<u>\$ (203,000)</u>	<u>\$ (155,000)</u>	<u>\$ (6,350,000)</u>
Net loss per OXIS share	<u>\$ (.21)</u>		<u>\$ (.22)</u>	

</TABLE>

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NOTES TO UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1996

1. To reflect amortization, on a straight-line basis over 7 years, of the pro forma purchase price adjustment of \$1,084,000 which was allocated to property, plant and equipment.

The pro forma amortization has been allocated 80% to cost of sales and 20% to sales, general and administrative expense.

2. The net loss per OXIS share in the unaudited pro forma statement of operations has been computed based on 28,596,320 common shares outstanding upon consummation of the acquisition.

3. The unaudited pro forma statement of operations includes the revenues and expenses of OXIS International, Inc. for the year ended December 31, 1996, and the revenues and expenses of IMS for the year ended October 31, 1996.

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Unaudited Pro Forma Statement of Operations
OXIS International, Inc.
(OXIS International, Inc. and Innovative Medical Systems Corp.)
Combined for the nine months ended September 30, 1997

<TABLE>
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	OXIS	IMS	Pro forma adjustments	Pro forma combined
Revenues:				
<S>	<C>	<C>	<C>	<C>
Sales	\$ 3,137,000	\$1,522,000		\$ 4,659,000
Royalties	209,000			209,000
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Total revenues	3,346,000	1,522,000		4,868,000
Costs and expenses:				
Cost of sales	2,148,000	1,399,000	\$ 93,000 (1)	3,640,000
Research and development		3,199,000		3,199,000
Sales, general and administrative	2,049,000	614,000	23,000 (1)	2,686,000
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Total costs and expenses	7,396,000	2,013,000	116,000	9,525,000
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Operating loss	(4,050,000)	(491,000)	(116,000)	(4,657,000)
Interest income and finance charges		53,000		53,000
Interest expense	(112,000)	(149,000)		(261,000)
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Net loss before income tax credits	(4,109,000)	(640,000)	(116,000)	(4,865,000)
Credit for income taxes		0	0	0
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Net Loss	\$(4,109,000)	\$(640,000)	\$(116,000)	\$(4,865,000)
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Net loss per OXIS share	\$ (.14)		\$ (.17)	
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1. To reflect amortization, on a straight-line basis over 7 years, of the pro forma purchase price adjustment of \$1,084,000 which was allocated to property, plant and equipment.

The pro forma amortization has been allocated 80% to cost of sales and 20% to sales, general and administrative expense.

2. The net loss per OXIS share in the unaudited pro forma statement of operations has been computed based on 28,596,320 common shares outstanding upon consummation of the acquisition.
3. The unaudited pro forma statement of operations includes the revenues and expenses of OXIS International, Inc. for the nine months ended September 30, 1997, and the revenues and expenses of IMS for the nine months ended July 31, 1997.