

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, DC 20549
 FORM 10-Q

X
 ----- Quarterly report pursuant to Section 13 or 15(d) of the Securities
 Exchange Act of 1934 for the quarterly period ended March 31, 1998.
 ----- Transition report pursuant to Section 13 or 15(d) of the Securities
 Exchange Act of 1934 for the transition period from ____ to ____ .

Commission File Number O-8092

OXIS INTERNATIONAL, INC.

A Delaware corporation
 I.R.S. Employer Identification No. 94-1620407
 6040 N. Cutter Circle, Suite 317
 Portland, OR 97217
 Telephone: (503) 283-3911

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

YES X NO

At March 31, 1998, the issuer had outstanding the indicated number of shares of
 common stock: 28,775,324

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
 <CAPTION>

	Three Months Ended March 31	
	1998	1997
<S>	<C>	<C>
Revenues:		
Product sales	\$ 1,296,000	\$ 1,127,000
Royalties and license fees	51,000	35,000
Total revenues	1,347,000	1,162,000
Costs and expenses:		
Cost of sales	1,259,000	772,000
Research and development	931,000	1,106,000
Selling, general and administrative	981,000	604,000
Total costs and expenses	3,171,000	2,482,000
Operating loss	(1,824,000)	(1,320,000)
Interest income	11,000	3,000
Interest expense	(27,000)	(30,000)
Net loss	\$(1,840,000)	\$(1,347,000)
Net loss per share - basic	\$ (.06)	\$ (.10)

Weighted average number of shares used in computation - basic	28,673,888	14,108,668
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</TABLE>

1

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 1998 (Unaudited)	December 31, 1997
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 410,000	\$ 1,290,000
Accounts receivable	1,051,000	2,011,000
Inventories	1,874,000	1,828,000
Prepaid and other	48,000	79,000
	-----	-----
Total current assets	3,383,000	5,208,000
Property and equipment, net	3,768,000	3,968,000
Technology for developed products and custom assays, net	2,886,000	3,065,000
Other assets	413,000	334,000
	-----	-----
Total assets	\$10,450,000	\$12,575,000

</TABLE>

2

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 1998 (Unaudited)	December 31, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
<S>	<C>	<C>
Notes payable	\$ 1,403,000	\$ 1,423,000
Accounts payable	1,285,000	1,553,000
Accrued payroll, payroll taxes and other	1,121,000	1,181,000
Current portion of long-term debt	91,000	93,000
	-----	-----
Total current liabilities	3,900,000	4,250,000
Long-term debt due after one year	1,694,000	1,570,000
Shareholders' equity:		
Preferred stock - \$.01 par value; 15,000,000 shares authorized:		
Series B - 642,583 shares issued and outstanding at March 1998 (liquidation preference of \$1,500,000)		
	6,000	6,000
Series C - 1,021,697 shares issued and outstanding at March 31, 1998		
	11,000	11,000
Series D - 700 shares issued and		

outstanding at March 31, 1998	--	--
Common stock - \$.50 par value; 50,000,000 shares authorized; 28,775,324 shares issued and outstanding at March 31, 1998	14,388,000	14,298,000
Additional paid in capital	30,778,000	30,868,000
Accumulated deficit	(40,014,000)	(38,174,000)
Accumulated translation adjustments	(313,000)	(254,000)
	-----	-----
Total shareholders' equity	4,856,000	6,755,000
	-----	-----
Total liabilities and shareholders' equity	\$10,450,000	\$12,575,000
	=====	=====

</TABLE>

3

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1998	1997
	<C>	<C>
<S>		
Cash flows from operating activities:		
Net loss	\$(1,840,000)	\$(1,347,000)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	362,000	452,000
Changes in assets and liabilities:		
Accounts receivable	784,000	(152,000)
Inventories	(47,000)	46,000
Prepaid and other current assets	31,000	110,000
Accounts payable	(262,000)	686,000
Customer deposits	--	26,000
Accrued payroll, payroll taxes and other	136,000	95,000
	-----	-----
Net cash used for operating activities	(836,000)	(84,000)
Cash flows from investing activities:		
Purchases of equipment	(10,000)	(2,000)
Additions to other assets	(58,000)	(5,000)
Other, net	(13,000)	(121,000)
	-----	-----
Net cash used for investing activities	(81,000)	(128,000)
Cash flows from financing activities:		
Proceeds from issuance of notes	546,000	213,000
Stock issuance costs	(28,000)	(99,000)
Repayment of short-term borrowings	(424,000)	(12,000)
Repayment of long-term debt and capital lease obligations	(20,000)	(40,000)
	-----	-----
Net cash provided by financing activities	74,000	62,000
Effect of exchange rate changes on cash	(37,000)	--
	-----	-----
Net decrease in cash and cash equivalents	(880,000)	(150,000)
Cash and cash equivalents - beginning of period	1,290,000	422,000
	-----	-----
Cash and cash equivalents - end of period	\$ 410,000	\$ 272,000
	=====	=====

</TABLE>

4

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS AND CONDENSED NOTES

The unaudited consolidated financial statements, which have been prepared in accordance with the instructions to Form 10-Q, do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. All adjustments considered necessary by management for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

An annual report (Form 10-K) has been filed with the Securities and Exchange Commission ("Commission") for the year ended December 31, 1997. That report contains, among other information, a description of the Company's business, audited financial statements, notes to the financial statements, the report of the independent auditors and management's discussion and analysis of results of operations and financial condition. Readers of this report are presumed to be familiar with that annual report.

2. SUBSEQUENT EVENTS - ADDITIONAL FINANCING

Between April 28 and May 8, 1998, the Company completed the first closing of a private placement of its common stock together with warrants to a series of institutional investors. The units, consisting of one share of common stock plus a warrant to purchase one share of common stock, were priced at the NASDAQ closing price the day prior to the signing of the subscription agreements. The prices ranged from \$.875 to \$1.125. In the first closing 6,936,142 common shares and warrants to purchase an equal number of common shares were issued in exchange for gross proceeds of \$5,716,000 in cash and conversion of \$543,000 of short-term notes and accrued interest payable. The exercise price of each warrant is equal to 125% of the price paid per unit. The second closing, for which commitments have been received and funds relating thereto have been placed in escrow is expected to yield gross proceeds of \$2,465,000 in cash and conversion of \$234,000 of short-term notes and accrued interest payable. The release to the Company of the proceeds from the second closing is subject to approval by the shareholders of an increase in the number of authorized common shares. This proposal will be considered by the Shareholders at the Company's annual meeting scheduled to be held in July 1998.

5

3. INVENTORIES

Inventories are stated at the lower of cost or market. Cost has been determined by using the first-in, first-out and specific identification methods. Inventories at March 31, 1998 and December 31, 1997, consisted of the following:

<TABLE>

<CAPTION>

	March 31, December 31,	
	1998	1997
<S>	<C>	<C>
Raw materials	\$1,253,000	\$1,319,000
Work in process	334,000	344,000
Finished goods	287,000	165,000
	-----	-----
Total	\$1,874,000	\$1,828,000

</TABLE>

4. SHAREHOLDERS' EQUITY

During the first quarter of 1998, 50 shares of Series D Preferred Stock were converted into 179,004 shares of common stock.

The number of common shares which the holder of the Series D Preferred Stock can acquire by converting its Series D shares is limited, and the holder has converted all of the Series D shares which can be converted pursuant to the terms of the Series D Preferred Stock Certificate of Designations. The Company has received correspondence from a representative of the holder of the Series D Preferred Stock claiming that the holder is entitled to certain interest and other payments and other rights with respect to the remaining Series D Preferred Stock which is not convertible into common stock. The Company has advised the holder of the Series D Preferred Stock that it does not agree with the holder's position with respect to the Series D Preferred Stock. The Company and the holder of the Series D Preferred Stock are currently in the process of negotiating a settlement of the dispute concerning the outstanding shares of Series D Preferred Stock.

5. COMPREHENSIVE LOSS

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". The Company's consolidated comprehensive loss was \$1,899,000 and \$1,468,000 for the three months ended March 31, 1998 and 1997, respectively. The differences between the net loss reported in the consolidated statement of operations and consolidated comprehensive net loss for the two periods consisted of changes in foreign currency translation adjustments.

6

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital decreased during the first quarter of 1998 by \$1,475,000, from \$958,000 at December 31, 1997 to a deficit of \$517,000 at March 31, 1998. The reduction in working capital resulted primarily from the effect of the net loss for the quarter (\$1,840,000 less non-cash charges of \$362,000).

Cash and cash equivalents decreased from \$1,290,000 at December 31, 1997 to \$410,000 at March 31, 1998.

The Company expects to continue to report losses in 1998 as the level of expenses is expected to continue to exceed revenues. The Company can give no assurances as to when and if its revenues will exceed its expenses. While the Company believes that its new products and technologies show considerable promise, its ability to realize significant revenues therefrom is dependent upon the Company's success in developing business alliances with biotechnology and/or pharmaceutical companies that have the required resources to develop and market certain of these products. There is no assurance that the Company's effort to develop such business alliances will be successful.

Between April 28 and May 8, 1998, the Company completed the first closing of a private placement of its common stock together with warrants to a series of institutional investors. The units, consisting of one share of common stock plus a warrant to purchase one share of common stock, were priced at the NASDAQ closing price the day prior to the signing of the subscription agreements. The prices ranged from \$.875 to \$1.125. In the first closing 6,936,142 common shares and warrants to purchase an equal number of common shares were issued in exchange for gross proceeds of \$5,716,000 in cash and conversion of \$543,000 of short-term notes and accrued interest payable. The exercise price of each warrant is equal to 125% of the price paid per unit. The second closing, for which commitments have been received and funds relating thereto have been placed in escrow is expected to yield gross proceeds of \$2,465,000 in cash and conversion of \$234,000 of short-term notes and accrued interest payable. The release to the Company of the proceeds from the second closing is subject to approval by the shareholders of an increase in the number of authorized common shares. This proposal will be considered by the shareholders at the Company's annual meeting scheduled to be held in July 1998.

7

REVENUES

The Company's revenues for the quarters ended March 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Instrument sales and development	\$ 810,000	\$ --
Diagnostic and research assays	416,000	548,000
Bovine superoxide dismutase (bSOD) for research and human use	--	412,000
Palosein/(R)/ (bSOD for veterinary use)	44,000	154,000
Other	26,000	13,000
Royalties and license fees	51,000	35,000
	-----	-----
	\$1,347,000	\$1,162,000
	=====	=====

</TABLE>

Instrument sales and development revenues are generated by Innovative Medical Systems Corp. ("IMS"), acquired by the Company on December 31, 1997. Because the acquisition of IMS was recorded as a purchase, the revenues and expenses of IMS are not included in the Company's consolidated results of operations prior to 1998.

Sales of the Company's diagnostic and research assays decreased from \$548,000 in the first quarter of 1997 to \$416,000 in the first quarter of 1998. This decrease of \$132,000 was primarily due to unusually large sales to distributors in the fourth quarter of 1997 resulting in below normal sales volumes in the first quarter of 1998.

Sales of bulk bSOD have been almost entirely to the Company's Spanish licensee, and no shipments were made to this customer in the first quarter of 1998. Future sales of bulk bSOD continue to be largely dependent on the needs of the Company's Spanish licensee. The Company expects its orders for 1998 from the Spanish licensee to be less than those for 1997. The Company's sales of bulk bSOD beyond 1998 are uncertain and difficult to predict and no assurances can be given with respect thereto.

Palosein/(R)/ sales in the first quarter of 1997 included a substantial sale to a distributor in Germany. The Company expects to have a similar order later in 1998, but has not yet received such an order.

COSTS AND EXPENSES

Including amortization of purchase adjustments, cost of sales was 69% of product sales for the first quarter 1997 and increased to 97% of product sales for the first quarter of 1998. This increase in the cost of sales as a percentage of sales is due primarily to the effect of the fixed manufacturing costs being spread over manufacturing and sales volume for the first quarter of 1998 that the Company believes is unusually low. Management expects manufacturing and sales volumes to increase in the second quarter of 1998, resulting in a reduction of cost of sales as a percentage of sales; provided, however, that no assurances can be given that such an increase will take place. Cost of sales as a percentage of sales was also higher in the first quarter of 1998 as compared to the first quarter of 1997 due to the reductions in sales of bSOD and Palosein/(R)/, which contributed approximately \$150,000 more in profit margins in the first quarter of 1997 than in 1998.

Cost of sales in the first quarter of 1997 includes approximately \$180,000 in amortization of purchase adjustments relating to 1994 business acquisitions. Costs of sales in the first quarter of 1998 includes approximately \$210,000 in amortization of purchase adjustments relating to 1994 and 1997 business acquisitions. Excluding such amortization the cost of product sales for the first quarter of 1997 was approximately 53% of sales and the cost of sales for the first quarter of 1998 was approximately 81% of product sales.

Research and development expenses decreased from \$1,106,000 in the first quarter of 1997 to \$931,000 in the first quarter of 1998. The decrease in research and development expenses resulted from cost reductions in the first quarter of 1998 compared to the first quarter of 1997 of (1) \$190,000 for outside development contracts primarily relating to the development of the Company's lead molecule, BXT-51072, which is currently in Phase II clinical trials for ulcerative colitis and (2) \$170,000 in research and development costs of the Company's French subsidiary. During the first quarter of 1998 the Company's lead molecule was in the early part of a Phase II clinical trial which did not require as much outside contract support as earlier parts of the clinical trials. Costs relating to the Phase II trials are expected to increase during the remainder of 1998 with an increase in patient enrollment and increasing data analysis needs. These cost reductions were partially offset by an increase of \$185,000 in research and development costs in the United States other than the costs of clinical trials. This increase consisted primarily of severance costs relating to a staff reduction during the first quarter of 1998.

9

Selling, general and administrative expenses increased from \$604,000 in the first quarter of 1997 to \$981,000 in the first quarter of 1998. The increase is primarily the result of \$250,000 of selling, general and administrative expenses of IMS in the first quarter of 1998. Fees aggregating \$51,000 in the first quarter of 1998 for the ongoing listing of the Company's common stock on Le Nouveau Marche and increased shares listed on NASDAQ National Market also contributed to the increase in 1998.

NET LOSS

The Company continued to experience losses in the first quarter of 1998. The first quarter 1998 loss of \$1,840,000 (\$.06 per share-basic) was \$493,000 more than the \$1,347,000 (\$.10 per share-basic) loss for the first quarter of 1997. The increase in the net loss is primarily due to the decline in gross margin from product sales and increased selling, general and administrative costs. The net loss per share-basic decreased because of the increase in the number of common shares outstanding.

The Company plans to continue to invest in research and development activities and incur marketing, sales and administrative expenses in amounts greater than its anticipated near-term product margins, and, as a result, expects to incur a substantial net loss for 1998.

Certain of the matters discussed in this Report such as management's future sales expectations, are forward-looking statements that involve risks and uncertainties, including the timely development and market acceptance of new products, the impact of competitive products and pricing, economic conditions, and other risks. These factors could cause actual results to differ materially from those described in any forward-looking statements.

10

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The Company has been notified by the Nasdaq Stock Market, Inc. ("Nasdaq") that, because the bid price of its common stock has been less than USD \$1.00, its common stock is currently not in compliance with the Nasdaq Marketplace Rule 4450 (a)(5) relating to the Nasdaq minimum bid price requirements. The Company has been informed by Nasdaq that it is being provided 90 calendar

days, which expires May 28, 1998, in order to regain compliance with this standard. The Company may regain compliance if the bid price for its common stock closes at or above the minimum requirement for at least ten (10) consecutive trade days. If the security does not regain compliance within the 90 days, Nasdaq will issue a delisting letter which will identify the review procedures available to the Company. The Company may request a review at or before that time, which, Nasdaq has stated, will stay delisting until a hearing occurs. As of the date of this filing the Company has not regained compliance, and no assurance can be given that such compliance will be regained.

If the Common Stock of the Company ceases to be listed on the Nasdaq National Market such failure to be listed could have a material adverse effect on the transferability of the Company's Common Stock, and may have a material adverse effect on the value of the Common Stock as well.

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

(a) Exhibits - See Exhibit Index on page 12.

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 thereunto duly authorized.

OXIS International, Inc.

May 15, 1998

By /s/ Ray R. Rogers

Ray R. Rogers
Chairman and Chief Executive Officer

May 15, 1998

By /s/ Jon S. Pitcher

Jon S. Pitcher
Chief Financial Officer

11

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit Number	Description of Document	Page Number
<C>	<S>	<C>
10(a)	Consulting Agreement and Release of Claims	13
27(a)	Financial data schedule	20

</TABLE>

12

EXHIBIT 10(a)

CONSULTING AGREEMENT AND RELEASE OF CLAIMS

This Consulting Agreement and Release of Claims (this "Consulting Agreement") is made by and between OXIS International, Inc., a Delaware corporation (the "Company"), and Anna D. Barker, Ph.D. ("Employee") as of March 6, 1998. The Company and the Employee may be hereinafter collectively referred to as the "Parties" and each may be individually referred to as a "Party".

WHEREAS, Employee was employed as President and Chief Executive Officer of the Company and is a member of the Company's Board of Directors;

WHEREAS, the Company and Employee have previously entered into oral agreements and other arrangements from time to time relating to the Employee's employment with the Company (such agreements and arrangements are hereinafter collectively referred to as the "Employment Agreements");

WHEREAS, the Company and Employee each seek to, and have each agreed to, modify their relationship such that it will become a consulting relationship where Employee will be providing consulting services to the Company pursuant to the terms and conditions set forth in this Consulting Agreement;

WHEREAS, the Company and Employee have previously entered into an Employee Patent and Confidential Information Agreement dated as of June 1, 1994 (the "Confidentiality Agreement"); and

WHEREAS, in connection with their agreement to modify the nature of their relationship, the Company and Employee have mutually agreed to terminate any and all Employment Agreements and to release each other from any claims arising therefrom or otherwise related to the employment relationship.

NOW THEREFORE, in consideration of the mutual promises made herein, the Parties agree as follows:

1. Modification of Employment Relationship.

(a) Termination of Employment Agreements. Except as otherwise

specified herein, Company and Employee agree that any and all Employment Agreements are terminated (the "Termination") effective as of the Effective Date (defined in Section 23). As of the Effective Date, the Employee shall cease to be an employee or officer of the Company.

(b) Entry into Consulting Arrangements.

(i) General. From the Effective Date until the nine month

anniversary thereof (the "Consultation Period"), Employee shall, upon reasonable notice, perform services as a consultant to the Company as reasonably requested by the Company (and as reasonably acceptable to Employee) and make herself available on an independent contractor basis as a consultant to the Company on an as-needed basis and in such capacity consult with the Company with respect to matters which are reasonably within the realm of her expertise and training (the "Consulting Arrangement"), provided that Employee shall not be required to make herself available more than 15 hours per month. In connection with her consulting activities under this Consulting Agreement, the Company will provide Employee with limited office space and secretarial support. Nothing in this Consulting

Agreement shall in any way be construed to constitute Employee as an agent, employee or representative of the Company during the Consultation Period, and Employee shall perform all services hereunder during the Consultation Period as an independent contractor. Employee acknowledges and agrees that Employee is obligated to pay all self employment and other taxes relating to her compensation paid hereunder during the Consultation Period. The Company and Employee may extend the Consultation Period by mutual agreement.

(ii) Restricted Activities. During the Consultation Period,

Employee agrees that she will not (whether as an employee, consultant, proprietor, partner, director or otherwise), engage in or have any ownership interest in, or participate in the operation, management or control of any person, firm, corporation or business ("Entity") that competes with the Company. Employee or Entity shall be deemed to compete with the Company if she or it is engaged in the research, development, manufacturing, marketing, distribution and/or selling of compounds, drugs, pharmaceuticals, nutraceuticals, or nutritional supplements competitive with products currently being developed or marketed by the Company. Ownership of 10% or less of the outstanding stock of an Entity shall not constitute a violation of this provision. The Company acknowledges that Employee is free to pursue any activity in the cancer market, and that such activity shall not be deemed to be competitive with the Company.

2. Compensation and Benefits.

(a) Employment Related Compensation. On the Effective Date, the

Company shall pay the Employee all accrued compensation, including without limitation, accrued salary and vacation due the Employee through the Effective Date. Employee shall be eligible for COBRA health insurance coverage at Employee's expense during the period the Company is required to make such coverage available. The computer and the other office equipment which the

Company has provided for Employee's use during the course of her employment will be transferred to Employee as of the Effective Date. Employee agrees that the compensation to be paid to her under this Section 2(a) will constitute all amounts due to her under any and all Employment Agreements she may have or have had with the Company through the date hereof.

3. Consulting Related Compensation. So long as Employee has not

commenced full time employment at another organization, during the Consultation Period the Company shall pay the Employee the amount of \$15,416.67 per month, payable on the 15th and the last day of each month, or the preceding business day should such day fall upon a weekend or a nationally recognized holiday (the "Consulting Compensation"). In the event that Employee commences full time employment at another organization, the Consulting Compensation shall be reduced by the monthly amount received as compensation by Employee from such other organization. Employee shall be deemed to be engaged in "full time employment" if she provides 25 hours of service per week to an organization. Cessation of payments under this Section 3 shall terminate Employee's requirement to provide consulting services hereunder. In the event Employee shall breach the terms of Section 1(b)(ii) of the this Agreement, or breaches the Confidentiality Agreement or resigns in her capacity as a consultant to the Company, the Company's obligation to pay the Employee pursuant to the terms of this Section 2(b) shall terminate.

4. Stock Options; Vesting; Period for Exercise. The Company affirms the

options granted to Employee under the Employee's Company Stock Option Agreements, including, without limitation, to those stock options dated June 16, 1994, June 26, 1995, March 28, 1996, October 11, 1996, and September 4, 1997 and a Stock Option Agreement dated September 7, 1994 (the "Option Agreements").

Notwithstanding any vesting provisions contained in the Option Agreements, the Employee shall become fully vested with respect to such options upon the execution of, and Employee's entry into, this Consulting Agreement. The Employee shall have the right to exercise the option rights granted under the Option Agreements for the period beginning on the Effective Date and ending two years after the end of the Consultation Period. In the event of the death of Employee, Employee's estate shall have the maximum time available under the Option Agreements to exercise the options and shall be entitled to effect the exercise of all or a portion of the options by any permissible means under the terms of the Option Agreements.

5. Confidential Information. Employee shall continue to maintain the

confidentiality of all confidential and proprietary information of the Company and shall continue to comply with the terms and conditions of Paragraph E of the Confidentiality Agreement. Employee shall return all Company property and confidential and proprietary information in her possession to the Company no later than on the Effective Date of this Consulting Agreement.

6. Non-Solicitation of Employees. Employee agrees that for a period of

nine (9) months from the end of the Effective Date, Employee shall neither directly nor indirectly solicit, induce, recruit or encourage any of the employees of the Company to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of the Company other than Betty Bogacz, either for the Employee or for any other

person or entity.

7. Mutual Release of Claims. Employee and Company agree that this

Consulting Agreement and the Option Agreements, which consideration and agreements have induced each Party to enter into this agreement with the other Party, represents settlement in full of all outstanding obligations owed to Employee by the Company and by the Employee to the Company existing on the date hereof. Employee and the Company, on behalf of themselves, and their respective heirs, family members, executors, officers, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations, and assigns, hereby fully and forever release each other and their respective heirs, family members, executors, officers, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations, and assigns, from, and agree not to sue concerning, any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date:

(a) relating to or arising from Employee's employment relationship with the Company, or except as noted below, status as an officer or director of the Company and the termination of that relationship or status;

(b) relating to or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate and/or securities law, and securities fraud under any state or federal law;

(c) relating to claims for wrongful discharge of employment; termination in violation of public policy; discrimination; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; and conversion;

(d) relating to claims for violation of any federal, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in

Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, and the Older Workers Benefit Protection Act;

(e) relating to claims of violation of the federal, or any state, constitution;

(f) relating to claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) relating to claims for attorneys' fees and costs.

In addition to the foregoing, the Company and the Employee fully and forever release each other from, and agree not to sue concerning, any other claim, duty, obligation or cause of action relating to any other matter of any kind, whether presently known or unknown, suspected or unsuspected that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date (except as provided below). The Company and Employee agree that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred or arising out of this Consulting Agreement provided however this release shall not affect Employee's rights to indemnification by the Company or under a policy of insurance for claims made against the Employee arising from her having been an officer, director or employee of the Company.

8. Acknowledgment of Waiver of Claims under ADEA and the Older Workers'

Benefit Protection Act. Employee acknowledges that she is waiving and releasing

any rights she may have under the Age Discrimination in Employment Act of 1967 ("ADEA") or the Older Workers' Benefit Protection Act (collectively with the ADEA and any other applicable age discrimination statutes, the "Age Discrimination Statutes") and that this waiver and release is knowing and voluntary. Employee and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the Age Discrimination Statutes after the Effective Date. Employee acknowledges that the consideration given for this waiver and release contained in this Consulting Agreement is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that she has been advised by this writing that: (a) she should consult with an attorney prior to executing this Consulting Agreement; (b) she has had at least twenty one (21) days within which to consider this Consulting Agreement; (c) she has seven (7) days following the execution of this Consulting Agreement by the Parties to revoke the Agreement; and (d) this Consulting Agreement shall not be effective until the revocation period has expired.

9. No Pending or Future Lawsuits. Employee represents that she has no

lawsuits, claims, or actions pending in her name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. Employee also represents that she does not intend to bring any claims on her own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein.

10. Public Disclosure of Consulting Agreement. Company and Employee agree

that, prior to publication or dissemination and subject to the Company's obligations under federal and state securities laws, they shall discuss and agree upon any public disclosures relating to the modification of Employee's employment relationship with the Company and this Consulting Agreement.

11. Non-Disparagement. Each Party agrees to refrain from any defamation,

libel or

slander of the other, or tortious interference with the contracts and relationships of the other.

12. Tax Consequences. The Company makes no representations or warranties

with respect to the tax consequences of the payment of any sums to Employee under the terms of this Consulting Agreement. Employee agrees and understands that she is responsible for payment, if any, of local, state and/or federal taxes on the sums paid hereunder by the Company and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of Employee's failure to pay federal or state taxes or damages sustained by the Company by reason of any such claims, including reasonable attorneys' fees.

13. No Admission of Liability. The Parties understand and acknowledge that

this Consulting Agreement constitutes a compromise and settlement of claims. No action taken by the Parties hereto or either of them, either previously or in connection with this Consulting Agreement shall be deemed or construed to be an acknowledgment or admission by either Party of any fault or liability whatsoever to the other Party or to any third party.

14. Insurance. So long as Employee shall remain a member of the Board of

Directors of the Company, she shall be covered by the Company's Director's and Officer's Liability Insurance if any is then in effect.

15. Costs. The Parties shall each bear their own costs, expert fees,

attorneys' fees and other fees incurred in connection with this Consulting Agreement.

16. Arbitration. The Parties agree that any and all disputes arising out

of the terms of this Consulting Agreement, their interpretation, and any of the matters herein released, shall be subject to binding arbitration under the rules of the American Arbitration Association, with any such arbitration to be held in Portland, Oregon. The Parties agree that the prevailing party in any arbitration shall be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award and to costs and attorneys' fees incurred in enforcing the Agreement.

17. Authority. The Company represents and warrants that the undersigned

has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Consulting Agreement. Employee represents and warrants that she has the capacity to act on her own behalf and on behalf of all who might claim through her to bind them to the terms and conditions of this Consulting Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

18. No Representations. Each Party represents that it has had the

opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Consulting Agreement. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

19. Severability. In the event that any provision hereof becomes or is

declared by a

court of competent jurisdiction to be illegal, unenforceable or void, this Consulting Agreement shall continue in full force and effect without said provision.

20. Entire Agreement. This Agreement and the Confidentiality Agreement

represent the entire agreement and understanding between the Company and Employee concerning Employee's separation from the Company, and supersedes and replaces any and all prior oral and written agreements and understandings concerning Employee's relationship with the Company and her compensation by the Company, including any and all Employment Agreements.

21. No Oral Modification. This Agreement may only be amended in writing

signed by Employee and the Company.

22. Governing Law. This Agreement shall be governed by the laws of the

State of Oregon.

23. Effectiveness. This Agreement will become effective (the "Effective

Date") seven (7) days after the Agreement is executed by both Parties.

24. Counterparts. This Agreement may be executed in counterparts, and each

counterpart shall have the same force and effect as an original and shall
constitute an effective, binding agreement on the part of each of the
undersigned.

25. Voluntary Execution of Agreement. This Agreement is executed

voluntarily and without any duress or undue influence on the part or behalf of
the Parties hereto, with the full intent of releasing claims. The Parties
acknowledge that:

(a) They have read this Consulting Agreement;

(b) They have been represented in the preparation, negotiation, and
execution of this Consulting Agreement by legal counsel of their own
choice or that they have voluntarily declined to seek such counsel;

(c) They understand the terms and consequences of this Consulting
Agreement and of the releases it contains; and

(d) They are fully aware of the legal and binding effect of this
Consulting Agreement.

IN WITNESS WHEREOF, the Parties have executed this Consulting Agreement on
the respective dates set forth herein.

OXIS INTERNATIONAL, INC.

Dated: March 6, 1998

By: /s/ Ray R. Rogers
Name: Ray R. Rogers
Title: Chairman of the Board

Dated: March 9, 1998 Anna D. Barker, Ph.D., an individual

/s/ Anna D. Barker
Anna D. Barker

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