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 June 30, 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
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At June 30, 1998, the issuer had outstanding the indicated number of shares of common stock: 36,234,510

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Revenues:				
Product sales	$ 1,435,000	$ 717,000	$ 2,731,000	$ 1,844,000
Royalties and license fees	20,000	24,000	71,000	59,000
Total revenues	1,455,000	741,000	2,802,000	1,903,000
Costs and expenses:				
Cost of sales	1,053,000	472,000	2,312,000	1,244,000
Research and development	759,000	883,000	1,690,000	1,989,000
Selling, general and administrative	799,000	728,000	1,780,000	1,332,000
Total costs and expenses	2,611,000	2,083,000	5,782,000	4,565,000
Operating loss	(1,156,000)	(1,342,000)	(2,980,000)	(2,662,000)
Interest income	34,000	20,000	45,000	23,000
Interest expense	(19,000)	(42,000)	(46,000)	(72,000)

Net loss	$(1,141,000)	$(1,364,000)	$(2,981,000)	$(2,711,000)
Net loss per share - basic	$ (.03)	$ (.07)	$ (.10)	$ (.16)
Weighted average number of shares used in computation	32,916,584	19,884,092	30,806,956	17,012,334

</TABLE>

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	June 30, 1998 (Unaudited) <C>	December 31, 1997 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,263,000	$ 1,290,000
Accounts receivable	1,259,000	2,011,000
Inventories	1,862,000	1,828,000
Prepaid and other	31,000	79,000
Total current assets	6,415,000	5,208,000
Property and equipment, net	3,624,000	3,968,000
Technology for developed products and custom assays, net	2,719,000	3,065,000
Other assets	407,000	334,000
Total assets	$13,165,000	$12,575,000

</TABLE>

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	June 30, 1998 (Unaudited) <C>	December 31, 1997 <C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 924,000	$ 1,423,000
Accounts payable	865,000	1,553,000
Accrued payroll, payroll taxes and other	826,000	1,181,000
Current portion of long-term debt	90,000	93,000
Total current liabilities	2,705,000	4,250,000
Long-term debt due after one year	1,669,000	1,570,000
Shareholders' equity:		
Preferred stock - $.01 par value; 15,000,000 shares authorized:		
Series B - 428,389 shares issued and outstanding at June 30, 1998 (liquidation preference of $1,500,000)	4,000	6,000
Series C - 807,878 shares issued and outstanding at June 30, 1998	8,000	11,000
Series D - (Note 3)	--	--

Common stock - $.50 par value; 50,000,000 shares authorized; 36,234,510 shares issued and outstanding at June 30, 1998 (Note 3)	18,117,000	14,298,000
Additional paid in capital	32,128,000	30,868,000
Accumulated deficit	(41,155,000)	(38,174,000)
Accumulated translation adjustments	(311,000)	(254,000)
	------------	------------
Total shareholders' equity	8,791,000	6,755,000
	------------	------------
Total liabilities and shareholders' equity	$ 13,165,000	$ 12,575,000
	============	============

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	1998	1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$(2,981,000)	$(2,711,000)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	708,000	702,000
Changes in assets and liabilities:		
Accounts receivable	747,000	260,000
Inventories	(34,000)	94,000
Other current assets	47,000	(76,000)
Accounts payable	(686,000)	(595,000)
Customer deposits	--	142,000
Accrued payroll, payroll taxes and other	(245,000)	44,000
	-----------	-----------
Net cash used for operating activities	(2,444,000)	(2,140,000)
Cash flows from investing activities:		
Purchases of equipment	(29,000)	(17,000)
Other, net	(91,000)	(7,000)
	-----------	-----------
Net cash used for investing activities	(120,000)	(24,000)
Cash flows from financing activities:		
Proceeds from issuance of notes	555,000	872,000
Proceeds from issuance of stock, net of related costs	5,231,000	6,240,000
Repayment of short-term borrowings	(443,000)	(950,000)
Repayment of long-term debt and capital lease obligations	(54,000)	(58,000)
Effective redemption of Series D Preferred Stock	(700,000)	--
	-----------	-----------
Net cash provided by financing activities	4,589,000	6,104,000
Effect of exchange rate changes on cash	(52,000)	(174,000)
	-----------	-----------
Net increase in cash and cash equivalents	1,973,000	3,766,000
Cash and cash equivalents - beginning of period	1,290,000	422,000
	-----------	-----------
Cash and cash equivalents - end of period	$ 3,263,000	$ 4,188,000
	===========	===========
Non-cash transaction -- issuance of common stock in exchange for cancellation of notes and accrued interest	$ 543,000	$ --

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</TABLE>

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. 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 June 30, 1998 and December 31, 1997, consisted of the following:

<TABLE>
<CAPTION>

<S>	June 30, 1998 <C>	December 31, 1997 <C>
Raw materials	$1,067,000	$1,319,000
Work in process	604,000	344,000
Finished goods	191,000	165,000
	----------	----------
Total	$1,862,000	$1,828,000
	==========	==========

</TABLE>

3. SHAREHOLDERS' EQUITY

In early May 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 relating to the purchase of such units. The prices per unit 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 120% of the price paid per unit.

The Company has agreed to file within 30 days of the closing of the private placement a registration statement with the Commission concerning the resale of the common shares, the warrants and the common shares issuable upon exercise of the warrants.

The private placement was completed in July 1998 with a second closing resulting in gross proceeds to the Company of $2,465,000 in cash and conversion of $234,000 of short-term notes and accrued interest payable.

At the Company's Annual Meeting of Stockholders held on July 13, 1998, the stockholders approved proposals which authorized an increase in the number of shares of the Company's common stock to 95,000,000 and a reduction of the par value of the Company's common stock to $.001. Following the Meeting, the number of authorized shares of common stock was increased and the par value was reduced, accordingly. The stockholders also approved a proposal authorizing the Company's Board of Directors at its discretion to effect a one-for-five reverse stock split at any time prior to the Company's 1999 Annual Meeting of Stockholders. The proposal concerning the reverse stock split is intended to increase the bid price of the Company's common stock to bring such bid price into compliance with the listing requirements of the NASDAQ National Market System (requiring a bid price greater than $1). The Company is currently seeking a waiver from the NASD allowing the Company's common stock continued designation as a NASDAQ National Market security pending the effectiveness of such a reverse split. As of the date of this Report, the Company has not received a response from the NASD and has not effected the reverse split.

During the second quarter of 1998, 214,194 shares of Series B Preferred Stock were converted into 214,194 shares of common stock, and 213,819 shares of Series C Preferred Stock were converted into 308,850 shares of common stock. Also during the second quarter of 1998 the Company entered into a settlement agreement with the holder of the remaining 700 outstanding shares of Series D Preferred Stock whereby such holder and the Company released any and all claims either may have against the other with respect to such Series D Preferred Stock, and the Company paid the holder $700,000 cash. The holder also agreed to return the Series D Preferred Stock to the Company upon the Company's request. The Company recently requested the return of such Stock, which the Company plans to cancel.

4. 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 $1,139,000 and $1,482,000 for the three months ended June 30, 1998 and 1997, respectively and $3,038,000 and $2,950,000 for the six months ended June 30, 1998 and 1997, respectively. The differences between the net loss reported in the consolidated statement of operations and consolidated comprehensive net loss for the periods consisted of changes in foreign currency translation adjustments.

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 increased during the first half of 1998 from $958,000 at December 31, 1997 to $3,710,000 at June 30, 1998. The increase in the Company's working capital resulted primarily from the issuance of common stock (net proceeds of $5,774,000), offset by the effect of the net loss for the first half of 1998 ($2,981,000 less non-cash charges of $708,000) and a $700,000 payment for the effective redemption of preferred stock.

Cash and cash equivalents increased from $1,290,000 at December 31, 1997 to $3,263,000 at June 30, 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.

In early May 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 relating to the purchase of such units. The prices per unit 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 120% of the price paid per unit. The Company has agreed to file within 30 days of the closing of the private placement a registration statement with the Commission concerning the resale of the common shares, the warrants and the common shares issuable upon exercise of the warrants.

The private placement was completed in July 1998 with a second closing resulting in gross proceeds to the Company of $2,465,000 in cash and conversion of $234,000 of short-term notes and accrued interest payable.

During the third quarter of 1998 the Company expects to pay two short-term notes plus accrued interest aggregating approximately $360,000.

INFORMATION SYSTEMS AND THE YEAR 2000

As is the case with most other companies using computers in their operations, the Company is in the process of addressing the Year 2000 problem. The Company is currently engaged in a project to review computer hardware and software to determine whether they will consistently and properly recognize the Year 2000. Certain of the Company's systems include hardware and packaged software recently purchased from vendors who have represented that these systems are already Year 2000 compliant.

Other hardware and software currently being used by the Company has been identified by the Company as not being Year 2000 compliant, particularly certain packaged software used in the Company's accounting systems. The Company expects that upgrades to the software packages being used in its accounting and manufacturing systems will be available from the vendors of those packages. The cost of such upgrades, or replacement of certain software packages and certain older hardware used in those systems has not yet been determined, but is not expected to be material. Most of the hardware and software replacements for accounting and manufacturing systems expected are replacements that would have been made regardless of the Year 2000 issue.

The Company expects to complete its review of all of its systems, including embedded technology in non-information technology systems, which might be affected by the Year 2000 issue by the fourth quarter of 1999. The Company is reviewing communications, security, and environmental monitoring and control systems as well as certain laboratory and manufacturing equipment and equipment manufactured for customers. The Company believes that, in the worst likely case, such systems or components thereof can be replaced to make such systems Year 2000 compliant, and that the cost for such replacements will not be material.

The Company relies on a number of vendors and suppliers including banks, telecommunications providers, transportation companies and other providers of goods and services. The inability of certain of these third parties to conduct their business for a significant period of time due to the Year 2000 issue could have a material impact on the Company's operations. The Company does not have the resources to determine whether all such vendors and suppliers are Year 2000 compliant. However, the Company expects that it could find other vendors or suppliers if any of its current vendors or suppliers are unable to continue to provide goods or services to the Company, but no assurances can be given as to how long it will take to find substitute vendors and suppliers.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 1998
COMPARED WITH THREE MONTHS ENDED JUNE 30, 1997

REVENUES

The Company's revenues for the quarters ended June 30, 1998 and 1997 were as follows:

	1998	1997
Instrument sales and development	$ 684,000	$ --
Diagnostic and research assays	604,000	611,000
Bovine superoxide dismutase (bSOD) for research and human use	--	3,000
Palosein(R) (bSOD for veterinary use)	49,000	77,000
Fine chemicals and other	98,000	26,000
Royalties and license fees	20,000	24,000
	$1,455,000	$741,000

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.

COSTS AND EXPENSES

Including amortization of purchase adjustments, cost of sales was 66% of product sales for the second quarter 1997 and increased to 73% of product sales for the second quarter of 1998. This increase in the cost of sales as a percentage of sales is due primarily to the effect of fixed manufacturing costs being spread over manufacturing and sales volume for the second quarter of 1998 that is substantially less than the manufacturing capacity of the Company's facilities since the acquisition of IMS.

Cost of sales in the second quarter of 1997 includes approximately $175,000 in amortization of purchase adjustments relating to 1994 business acquisitions. Costs of sales in the second quarter of 1998 includes approximately $196,000 in amortization of purchase

adjustments relating to 1994 and 1997 business acquisitions. Excluding such amortization the cost of product sales for the second quarter of 1997 was approximately 41% of sales and the cost of sales for the second quarter of 1998 was approximately 60% of product sales.

Research and development expenses decreased from $883,000 in the second quarter of 1997 to $759,000 in the second quarter of 1998. The decrease in research and development expenses resulted primarily from cost reductions in the second quarter of 1998 compared to the second quarter of 1997 in research and development costs of the Company's French subsidiary.

Selling, general and administrative expenses increased from $728,000 in the second quarter of 1997 to $799,000 in the second quarter of 1998. The increase is primarily the result of $215,000 of selling, general and administrative expenses of IMS in the second quarter of 1998. The increase was partially offset by a $61,000 reduction in foreign exchange losses and a $52,000 reduction in shareholder relations costs. The reduction in shareholder relations costs was partially due to holding the annual meeting of stockholders in the second quarter of 1997 and in the third quarter of 1998.

NET LOSS

The Company continued to experience losses in the second quarter of 1998. The second quarter 1998 loss of $1,141,000 ($.03 per share-basic) was $223,000 less than the $1,364,000 ($.07 per share-basic) loss for the second quarter of 1997. The decrease in the net loss is primarily due to an increase of $137,000 in gross margins from product sales and a decrease of $124,000 in research and development expenses. The net loss per share-basic decreased because of the decrease in net loss and increase in the number of common shares outstanding.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 1998
COMPARED WITH SIX MONTHS ENDED JUNE 30, 1997

REVENUES

The Company's revenues for the six-month periods ended June 30, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Instrument sales and development	$1,493,000	$ --
Diagnostic and research assays	1,003,000	1,159,000
Bovine superoxide dismutase (bSOD) for research and human use	--	415,000
Palosein(R) (bSOD for veterinary use)	93,000	231,000
Fine chemicals and other	142,000	39,000
Royalties and license fees	71,000	59,000
	----------	----------
	$2,802,000	$1,903,000
	==========	==========

</TABLE>

Instrument sales and development revenues are generated by IMS, acquired by the Company on December 31, 1997.

Sales of bSOD in 1997 were almost entirely to one European customer and no shipments were made to this customer during the first half of 1998. Future sales of bulk bSOD continue to be largely dependent on the needs of this one customer. The Company does not expect to make any significant sales of bulk bSOD during the remainder of 1998. 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 half of 1997 included a substantial sale to a distributor in Germany, which has not been repeated in 1998.

COSTS AND EXPENSES

Including amortization of purchase adjustments, cost of sales was 67% of product sales for the first half 1997 and increased to 85% of product sales for the first half of 1998. This increase in the cost of sales as a percentage of sales is due primarily to the effect of fixed manufacturing costs being spread over manufacturing and sales volume for the first half of 1998 that is substantially less than the manufacturing capacity of the Company's facilities since the acquisition of IMS. Management expects manufacturing and sales volumes to increase in the second half 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 half of 1998 as compared to the first half of 1997 due to the reductions in sales of bSOD and Palosein(R), which contributed approximately $200,000 more in profit margins in the first half of 1997 than in 1998.

Cost of sales in the first half of 1997 includes approximately $355,000 in amortization of purchase adjustments relating to 1994 business acquisitions. Costs of sales in the first half of 1998 includes approximately $406,000 in amortization of purchase adjustments relating to 1994 and 1997 business acquisitions. Excluding such amortization the cost of product sales for the first half of 1997 was approximately 48% of sales and the cost of sales for the first half of 1998 was approximately 70% of product sales.

Research and development expenses decreased from $1,989,000 in the first half of 1997 to $1,690,000 in the first half of 1998. The decrease in research and development expenses resulted from cost reductions in the first half of 1998 of (1) $407,000 in research and development costs of the Company's French subsidiary and (2) $192,000 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. During the first half 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 $298,000 in research and development costs in the United States unrelated to the costs of clinical trials. This increase consisted primarily of severance costs relating to a staff reduction during the first quarter of 1998.

Selling, general and administrative expenses increased from $1,332,000 in the first half of 1997 to $1,780,000 in the first half of 1998. The increase is primarily the result of $433,000 of selling, general and administrative expenses of IMS in the first half of 1998. Fees aggregating $51,000 in the first half 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 in the increase in 1998.

NET LOSS

The Company continued to experience losses in the first six months of 1998. The first half 1998 loss of $2,981,000 ($.10 per share-basic) was $270,000 more than the $2,711,000 ($.16 per share-basic) loss for the first half 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. There can be no assurances given that the Company will ever achieve profitable operations.

Certain of the matters discussed in this Report such as management's future sales expectations, the levels of future manufacturing volumes and possible progress with respect to the Company's clinical trials 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.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

(c) Sale of unregistered securities.

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 relating to the purchase of such units. The prices per unit 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 120% of the price paid per unit. The Company has agreed to file within 30 days of the closing of the private placement a registration statement with the Commission concerning the resale of the common shares, the warrants and the common shares issuable upon exercise of the warrants.

In connection with the sale of the foregoing securities, the Company paid a commission of $400,091 to a placement agent. The securities were offered and sold under the exemption from registration provided by Section 4(2) of the Securities Act of 1993, as amended, and pursuant to Rule 506 promulgated thereunder.

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

(a) Exhibits - See Exhibit Index on page 15.

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.

August 7, 1998 By /s/Ray R. Rogers

Ray R. Rogers
Chairman and Chief Executive Officer

August 7, 1998 By /s/Jon S. Pitcher

Jon S. Pitcher
Chief Financial Officer

EXHIBIT INDEX

<TABLE>
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Exhibit Number	Description of Document	Page Number
<S>	<C>	<C>
27(a)	Financial data schedule	15

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