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

FORM 10-KSB

☑ Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007.

☐ 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 0-8092

(Exact name of small business issuer as specified in its charter)

Delaware	**94-1620407**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

323 Vintage Park Drive, Suite B, Foster City, CA 94404
(Address of principal executive offices and zip code)
(650) 212-2568
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.001 par value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☑

The issuer's revenues for its fiscal year ended December 31, 2007 were $6,049,000.

Aggregate market value of the common equity held by non-affiliates of the issuer as of April 4, 2008 was $2,107,539.

Number of shares outstanding of the issuer's common stock as of April 4, 2008: 46,850,809 shares.

TABLE OF CONTENTS

PART I

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-KSB and the documents incorporated by reference include "forward-looking statements." To the extent that the information presented in this report discusses financial projections, information or expectations about our business plans, results of operations, products or markets, or otherwise makes statements about future events, such statements are forward-looking. Such forward-looking statements can be identified by the use of words such as "may," "will," "should," "might," "would," "intends," "anticipates," "believes," "estimates," "projects," "forecasts," "expects," "plans," and "proposes." Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These include, among others, the cautionary statements in the "Risk Factors" and "Management's Discussion and Analysis and Plan of Operation" sections of this report. These cautionary statements identify important factors that could cause actual results to differ materially from those described in the forward-looking statements. When considering forward-looking statements in this report, you should keep in mind the cautionary statements in the "Risk Factors" section and "Management's Discussion and Analysis or Plan of Operation" section below, and other sections of this report.

The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future.

All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results could differ materially from those included in such forward-looking statements. For a more detailed explanation of such risks, please see "Risk Factors" below. Such risks, as well as such other risks and uncertainties, are detailed in our SEC reports and filings including a discussion of the factors that could cause actual results to differ materially from the forward-looking statements..

The following discussion should be read in conjunction with the audited consolidated financial statements and the notes included in this report on Form 10-KSB and the section entitled "Management's Discussion and Analysis or Plan of Operation" included in this report on Form 10-KSB.

ITEM 1. DESCRIPTION OF BUSINESS

Recent Events

On January 11, 2007, Matthew Spolar, Vice President, Product Technology for Atkins Nutritionals, Inc., was appointed to our board of directors.

In March 2007, we retained Kevin Pickard, a certified public accountant, to provide management with support and assistance with regard to certain matters previously handled by Michael Centron, our former Chief Financial Officer.

In April 2007, we entered into an Amended and Restated Exclusive License Agreement with Alteon, Inc. (now Synvista Therapeutics, Inc.), under which we granted Alteon an exclusive, sole, worldwide license to develop, manufacture and market BXT-51072 and related compounds covered by certain patent rights, with the right to sublicense. This license agreement amends and supersedes the Exclusive License and Supply Agreement previously entered into between OXIS and HaptoGuard, Inc. (now part of Alteon) on September 28, 2004, as amended. For additional details regarding this license agreement, see the section entitled "*Exclusive License Agreement with Alteon*" on page 26 of this report.

On April 12, 2007, Steven T. Guillen resigned from our board of directors.

On September 24, 2007 our board of directors appointed Gary M. Post as the Chief Operating Officer of OXIS International, effective immediately.

On October 11, 2007, we entered into an Amendment to Advisory Agreement with Ambient Advisors LLC. The Advisory Agreement between OXIS and Ambient Advisors was originally signed on November 6, 2006. Gary M. Post, the Chief Operating Officer of OXIS and a member of the OXIS board of directors, is the manager of Ambient Advisors LLC. Pursuant to the Amendment, we agreed to increase the Advisory Fee from $85,000 to $125,000 per annum, retroactive to the October 15, 2007 (the Commencement Date of the Advisory Agreement) in recognition of the fact that Mr. Post has spent approximately 50% of his time providing the advisory services to us rather than the 33% originally contemplated in the Advisory Agreement. A copy of the amended advisory agreement is included as Exhibit 10.46 filed with this annual report on Form 10-KSB.

On October 22, 2007, we entered into an engagement letter with Burrill & Company, LLC, an investment banking and asset management firm based in San Francisco, California. We engaged Burrill to explore strategic alternatives and advise us with respect to potential merger and acquisitions, partnering/licensing transactions and financing transactions.

On December 20, 2007, Matthew Spolar resigned as a member of our board of directors.

2006 Convertible Debenture and Warrant Financing

On October 25, 2006, we completed a $1,694,250 financing with four accredited investors, in which we issued convertible notes and warrants. The debentures are subject to an original issue discount of 20.318% resulting in proceeds to OXIS of $1,350,000 from the transaction. The debentures are convertible at a conversion price of $0.35 per share, and the warrants are exercisable at prices ranging from $0.35 to $0.385 per share, as adjusted pursuant to a full ratchet anti-dilution provision. The debentures mature on October 25, 2008 and are secured with substantially all of our assets. Further, the debentures are redeemable in cash or in stock (subject to certain conditions) on a monthly basis beginning on February 1, 2007. We filed a registration statement to cover the resale of the common stock underlying the debentures and warrants, on December 8, 2006, which was declared effective on February 12, 2007. For further details regarding the terms of this financing, refer to the section below entitled “Recent Sales of Unregistered Securities” on page 20 of this report.

We have not made required monthly redemption payments beginning on February 1, 2007 to purchasers of debentures issued in October 2006. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If we fail to make such payment in full, the purchasers have the right sell substantially all of our assets pursuant to their security interest to satisfy any such unpaid balance. The Monthly Redemption Amount is approximately $85,000 and as of March 1, 2008 we were 14 months behind. We would have to issue approximately 6,839,271 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totaling approximately $904,000 in arrears. We are in active negotiations with the debenture holders to amend the debentures in a manner which would remove the current status of technical default. Until final agreement is reached on such potential amendments, we cannot give any assurance that the debenture holders will continue to forbear from enforcing the terms applicable in the case of default.

BioCheck Acquisition

On September 19, 2005, we entered into a stock purchase agreement with BioCheck, Inc., a privately held California corporation, or BioCheck, and its stockholders to purchase all of its common stock for $6.0 million in cash. In September 2005 we acquired a 51% interest in BioCheck and in the third quarter of 2007 we purchased an additional 2% of BioCheck shares. We have the option to purchase the remaining 47% of BioCheck, Inc. For additional details regarding this transaction, refer to the description of the business of BioCheck on page 9 of this report.

BUSINESS

We are presenting the business descriptions of the parent company OXIS International, Inc. ("OXIS, the Company, parent"), followed by that of our 53% owned subsidiary, BioCheck, Inc., in separate sections for greater clarity.

OXIS INTERNATIONAL, INC.

OXIS International, Inc. focuses on the research and development of technologies and therapeutic products in the field of oxidative stress/inflammatory reaction, diseases that are associated with damage from free radicals and reactive oxygen species. Biological free radicals are the result of naturally occurring processes such as oxygen metabolism and inflammatory reactions. Free radicals react with key organic substances such as lipids, proteins and DNA. Oxidation of these biomolecules can damage them, disturbing normal functions and may contribute to a variety of disease states. Organ systems that are predisposed to oxidative stress and damage are the pulmonary system, the brain, the eye, circulatory system, and reproductive systems. OXIS has invested significant resources to build a substantial patent position on our portfolio of antioxidant therapeutic technologies and selected oxidative stress/inflammatory reaction assays. A prime objective of OXIS is to use its broad portfolio of oxidative stress biomarkers to identify associations between reactive biomarker signals and various disease etiologies and conditions.

We presently derive our revenues primarily from sales of research diagnostic reagents and assays to medical research laboratories. Our products include approximately 45 research reagents and 26 assays to measure markers of oxidative stress. We hold the rights to four therapeutic classes of compounds in the area of oxidative stress and inflammation. One such compound is L-Ergothioneine, a potent antioxidant produced by OXIS that may be appropriate for sale over-the-counter as a dietary supplement.

Marketed Products

We have developed, commercialized and marketed an extensive product line that provides several types of tools for researchers to identify and measure the balance between oxidative, nitrosative, antioxidant and inflammatory biomarkers in biological samples. We offer more than 70 research products for sale, including 26 research assay test kits for markers of oxidative and nitrosative stress. We also market antibodies, enzymes and controls for use primarily in research laboratories. The antibodies provide detection of oxidative, nitrosative, antioxidant and inflammatory markers in some cases different from those measured by our assay test kits. The enzymes have been shown in early *in vitro* studies and preclinical animal studies to allow manipulation and control of oxidative biomarkers of protein and DNA, nitric oxide, antioxidant enzymes and inflammatory neutrophils. Our assays are useful, as shown in controlled *in vitro* studies and *in vivo* preclinical studies, in monitoring oxidative biomarkers of lipids, proteins and DNA, and nitrosative and antioxidant biomarkers. In addition, we have marketed the antioxidant Ergothioneine to selected customers, including prominent industry leaders in the cosmetics industry.

OXIS Research Assays

Our primary research assay product line is comprised of 26 assay test kits which measure key markers in free radical biochemistry for oxidative and nitrosative stress. Specifically, these assays measure levels of general and specific antioxidant activity, oxidative alterations to lipid, protein and DNA substrates, and pro-oxidant activation of specific white blood cells. As of the date of this report, we along with BioCheck are manufacturing research assays under a Mutual Services Agreement between BioCheck and us. If BioCheck ceased participating in the manufacture of our research assays before we engaged an alternative manufacturer, our business would be adversely affected. Ten other research assays are manufactured by third party suppliers pursuant to private label arrangements or in-house development and manufacture.

Our research assay test kits utilize either chemical (colorimetric) or immunoenzymatic (EIA) reactions that can be read using laboratory spectrophotometers and/or microplate readers, respectively. We believe our assays offer advantages over other laboratory methods, including ease of use, speed, specificity, accuracy and proprietary technology. Our research assays for markers of oxidative stress are generally protected by trade secrets, and to some extent, patents. Five U.S. patents and eight international patents have been issued with respect to these assays. The oxidative stress assays are sold under the registered trademark "Bioxytech." We continue to offer a few proprietary antioxidants and specialty chemicals but our product development focus and support are directed at assays, antibodies and enzymes in the area of oxidative and nitrosative stress.

Ergothioneine

L-Ergothioneine (ERGO) is a naturally occurring, water soluble, antioxidant amino acid molecule found in most animals and plants. It is considered one of the most potent biological antioxidants known. ERGO neutralizes hydroxyl free radicals and hypochlorous acid, which are common products of immune and inflammatory responses in vivo. This nutrient increases respiration and oxidation of fat, protects the mitochondria from damage due to environmental ultraviolet radiation and aids in the detoxification of the liver. We have developed the only published and patented method for producing commercial quantities of enantiomerically pure ERGO, which is analytically indistinguishable from the biological material. We hold the patents and patent applications for the protective effect of ERGO on mitochondria, the commercial preparation process and the neuroprotective effects of ERGO.

OXIS has sold ERGO to selected customers in past years as a potentially anti-aging component in skin care products sold by the cosmetics industry and to a new customer for use in veterinary fertility. Sales of ERGO were $49,753 in 2007 and $1,000 in 2006. Sales during 2007 were made to Minitube of America which utilizes ERGO as part of a cocktail of compounds added to animal semen as a cellular preservative to improve artificial insemination. Sales during 2006 were made to three customers in research quantities. We have not received any indication that additional orders are expected. We can give no assurances that sales of ERGO to this customer or cosmetics industry customers will continue.

Mutual Services Agreement with BioCheck

On June 23, 2006, we entered into a mutual services agreement with BioCheck. Each of OXIS and BioCheck will provide certain services to the other corporation to be charged monthly at an hourly rate with an overhead surcharge. The services that BioCheck will provide include assisting as requested in manufacturing of our research assay test kits, assisting as requested in packaging and shipping such research assay test kits to our customers, and undertaking research and development of certain new OXIS research assay test kits on a case-by-case basis to be agreed upon between the parties. We will provide services to BioCheck, including marketing and sales and materials requirement and control systems.

The agreement terminates on December 6, 2009, or earlier upon mutual consent of the parties, upon 90 day prior written notice by either party, by either party if a monthly billing is unpaid after 60 days if a 15 day notice and opportunity to cure has been provided, or upon a material breach of the Agreement after 30 days' notice and opportunity to cure the breach.

Marketing

We market products and technologies related to oxidative stress. Oxidative stress occurs as a result of an imbalance between damaging free-radicals and related molecules and their inactivation by antioxidants. Oxidative stress can cause tissue injury by triggering cell death or inciting a tissue-damaging inflammatory response.

During 2007, we continued to market our research diagnostic assay products to professional scientists in academia, industry and government through our OXIS Research catalog. Our marketing program is centered on targeting medical, environmental and various industry audiences interested in oxidative and nitrosative stress. Nitrosative stress occurs when the generation of reactive nitrogen species in a system exceeds the system's ability to neutralize and eliminate them. Primary vehicles for this marketing program include printed literature, the OXIS Research website and attendance at conferences targeting neuroscience, cancer, cardiac and nutritional researchers.

Our assays for markers of oxidative stress are currently being sold both directly by us and through a network of distributors to researchers primarily in the United States, Europe and the Pacific Rim. We estimate that there are more than 10,000 scientists and clinicians who are working directly in research on free radical biochemistry, and who are potential customers for these research diagnostic assays. We continue to seek to strengthen our international distribution network by adding new distributors around the world. These distributors are primarily focused on sales of research products in the life science market. In 2007, 48 distributors accounted for approximately 42% of our total revenues. Although we have not recruited distributors for Ergothioneine, we intend to establish and implement a plan to do so in the future.

During 2007, approximately 10% of our total revenues were from Funakoshi, a distributor customer located in Japan. We expect revenues from sales to Funakoshi for fiscal year 2008 to be similar to those in 2007.

Foreign Operations and Export Sales

Revenues attributed to countries outside the United States based on the location of customers were:

	2006	2007
Japan	$ 149,000	$ 133,000
Korea	55,000	55,000
Poland	53,000	42,000
France	50,000	41,000
Canada	37,000	46,000
Other foreign countries	277,000	232,000

Revenues to other foreign countries included sales in more than 40 countries. International revenue accounted for 45% of our 2007 revenues.

Other OXIS Therapeutic Compounds

Our therapeutic and nutraceutical product portfolio includes four classes of antioxidant molecules: glutathione peroxidase mimics including BXT-51072 which has been out-licensed and is discussed below concerning out licensed technology, Ergothioneine analogs, lipid soluble antioxidants and superoxide dismutase (Palosein/Orgotein).

Ergothioneine as a Veterinary Product

On March 21, 2007, we signed a supply agreement for ERGO with Golden Gourmet Mushrooms (GGM) of San Marcos, CA, a leading marketer to the human and veterinary industry of natural organic dietary supplements. OXIS will allow GGM to market the product for veterinary use under our owned trademark, ERGOLD™. GGM currently markets Mushroom Matrix to the United States human market, equine market and small animal pet market as a natural organic dietary supplement. GGM's marketing plan is to add ERGO (ERGOLD™) to the Mushroom Matrix product to produce nutritional products with the ability to improve normal cellular and immune function in the veterinary field. Research data revealing the in-vitro potency of ERGO as an antioxidant and also its ability to suppress viral replication was shown in a recently published paper entitled "Activity of the Dietary Antioxidant Ergothioneine in a Virus Gene-Based Assay for Inhibitors of HIV Transcription." Potential future markets include making this product available to domestic animals such as dogs and cats.

Ergothioneine as a Nutraceutical Supplement

We believe that our Ergothioneine compound may be well suited for development as a nutraceutical supplement that can be sold over the counter in the human and veterinary markets and we intend to pursue the development of Ergothioneine for use in such markets. We have outsourced the manufacturing of the raw material and we are working to expand this manufacturing capacity as well as reduce the cost of producing this product. We are currently discussing with our manufacturer the production of increased quantities of ERGO at a purity level that is acceptable for the human and veterinary market. Minituble of America has undertaken a large animal fertility study with ERGO and, with the help of OXIS, is evaluating new uses of ERGO as well as promoting increased use of this product by veterinary practitioners.

Lipid Soluble Antioxidants Patented Compound Group

Our lipid soluble antioxidant molecules are designed to mimic the activity of the body's natural cell membrane-protecting antioxidant, vitamin E. Molecules from this series are 20 to 40 fold more potent than vitamin E and move into cell membranes much more quickly, making them more appropriate as drugs than the natural vitamin. The primary disease targets for this series of molecules will include neurodegenerative diseases such as Alzheimer's and Parkinson's disease as well as cardiovascular diseases.

Bovine Superoxide Dismutase (bSOD)

bSOD is a naturally occurring genzyme found in essentially all living organisms. bSOD catalyzes the destruction of the "Superoxide" molecule. OXIS bSOD, under the brand name Orgotein, was marketed in Europe by Tedec-Meiji until about two years ago. The marketing of Orgotein ceased after Diosynth, a manufacturing division of Akzo Nobel, stopped producing products derived from animal sources. OXIS is cooperating with Tedec-Meiji to find another suitably acceptable manufacturer of GMP biologic products. This product has been used in Spain for many years in the prevention of Radiation Fibrosis and scarring in patients with Colerectal Carcinoma undergoing radiation treatment. Palosein (bovine superoxide dismutase) is our proprietary free radical scavenger, which has demonstrated clinical efficacy as a potent anti-inflammatory drug for tendon and ligament injuries, arthritis and disc disease in dogs and horses. The product had been marketed under the brand name Palosein for veterinary use in the United States. The FDA notified us in 2000 that an updated release formulation protocol must be submitted to the agency for approval prior to any further marketing in the U.S. of this product. As a result of the FDA action, our stored supply of Palosein is currently under quarantine. We are currently evaluating various paths to facilitate reintroduction of Palosein/Orgotein to the marketplace.

OXIS International Inc and Dr. Zeljko Vujaskovic, Department of Radiation Therapy, Duke University Medical Center, Raleigh Durham, NC, have established a scientific relationship to research and develop the OXIS portfolio of superoxide dismutase drugs in the prevention and treatment of radiation-induced human diseases. This scientific collaboration was established with the submission of a research grant proposal to BARDA and the National Institute of Allergy and Infectious Diseases. BARDA manages Project BioShield, which includes the procurement and advanced development of medical countermeasures for chemical, biological, radiological, and nuclear agents, as well as the advanced development and procurement of medical countermeasures for pandemic influenza and other emerging infectious diseases that fall outside the auspices of Project BioShield. In addition, BARDA manages the Public Health Emergency Countermeasures Enterprise (PHEMCE).

We intend to focus on and intensify our efforts to form diagnostic, pharmaceutical and nutraceutical relationships and strategic partnerships with larger companies for the purpose of further developing and exploiting our antioxidant molecules. No assurance can be given that our efforts will generate the results anticipated by our management or will in the future be favorable to us.

Out-Licensed Technology

Our lead therapeutic drug candidate, BXT-51072 (BXT), is a low molecular weight oral drug that mimics the antioxidant enzyme known as glutathione peroxidase. BXT directly neutralizes hydrogen peroxide and appears to protect cells from peroxide mediated damage. It also inhibits nucleic transcription and prevents the activation of cytokines, adhesion molecules and inflammatory enzymes, which are all mediators of inflammation. We completed a Phase IIA clinical trial in inflammatory bowel disease with BXT-51072 in 1999. This Phase IIA trial was a multi-center, nonrandomized, open-label, two-arm study which assessed the safety, pharmacokinetics, and efficacy of BXT-51072; clinical results showed potential promise as a therapeutic agent in GI disease. Due to the lack of financial resources, we ceased further testing of BXT-51072 at that time until further funding could be obtained.

In September 2004, we entered into an Exclusive License and Supply Agreement relating to BXT-51072 and related compounds with HaptoGuard, Inc., a New York based biopharmaceutical company which has since been merged into Alteon Inc. Under the agreement, we granted Alteon exclusive worldwide rights, in certain defined areas of cardiovascular indications, to develop, manufacture and market BXT-51072 and related compounds from our library of such antioxidant compounds. Under the license agreement, Alteon (as successor of Haptoguard) is responsible for worldwide product development programs with respect to the licensed compounds. We received an upfront license fee of $450,000, and Alteon is obligated to pay royalties on net sales of certain licensed products, and additional fees in excess of US $21 million for the achievement of development milestones as well as regulatory approvals. There can be no assurances that royalty payments will result or that milestone payments will be realized.

On April 2, 2007 we entered into an Amended and Restated Exclusive License Agreement with Alteon, Inc. pursuant to which we granted Alteon an exclusive, sole, worldwide license to develop, manufacture and market BXT-51072 and related compounds covered by certain patent rights, with the right to sublicense. In July 2007, Alteon changed its name to Synvista Therapeutics, Inc. This license agreement amends and supersedes the Exclusive License and Supply Agreement previously entered into between OXIS and HaptoGuard, Inc. (now part of Alteon) on September 28, 2004, as amended. Under the new agreement, Alteon agreed to invest a minimum of $7.5 million over a three-year period following the effective date of the agreement, in its development program for the development, discovery and manufacture of licensed products based on the processes and compounds covered under the license. Alteon's lead compound under the previous license, ALT-2074 (formerly BXT 51072) is currently in a Phase 2 clinical study for cardiovascular indications and is one of a family of licensed compounds that are orally bioavailable organoselenium compounds that have demonstrated potent anti-oxidant and anti-inflammatory properties in clinical and preclinical studies. Unlike the previous license agreement with HaptoGuard, in this Amended and Restated Exclusive License Agreement, the license is not limited in relation to particular clinical indications. Under the license agreement, Alteon is responsible for funding product development programs with respect to the licensed compounds. OXIS received a non-refundable up-front license fee of $500,000 and Alteon is obligated to pay royalties on net sales of licensed products, with certain adjustments under certain conditions, as well as additional fees for the achievement of certain development and regulatory approval milestones. There can be no assurances that royalty payments will result or that milestone payments will be realized. In addition, on August 3, 2007, Alteon purchased 2,083,333 shares of common stock at $0.24 per share resulting in net proceeds to us of $500,000. Alteon shall control, prosecute and maintain all licensed patents and shall be responsible for all costs and expenses in connection with the filing, prosecution and maintenance of the licensed patents.

We have the right to terminate the license agreement if Alteon fails to pay us any required payments under the license agreement and such failure is not cured after written notice. Alteon may terminate the agreement by providing us with 180 days' written notice. Either party may terminate the agreement upon 30 days' written notice upon certain events relating to the other party's bankruptcy, insolvency, dissolution, winding up or assignment for the benefit of creditors, or upon the other party's uncured breach of any material provision of the agreement. Otherwise, the license agreement terminates upon the expiration of the underlying patents relating to the licensed compounds, on a country by country basis. A copy of the license agreement is included as Exhibit 10.45 filed with this annual report on Form 10-KSB.

BIOCHECK, INC.

Our majority-held subsidiary, BioCheck, is a leading producer of clinical diagnostic assays, including high quality enzyme immunoassay research services and immunoassay kits for cardiac and tumor markers, infectious diseases, thyroid function, steroids, and fertility hormones designed to improve the accuracy, efficiency, and cost-effectiveness of *in vitro* (outside the body) diagnostic testing in clinical laboratories. BioCheck focuses primarily on the immunoassay segment of the clinical diagnostics market. BioCheck manufactures over 40 clinical diagnostic assays in its 15,000 square-foot, U.S. Food and Drug Administration, or FDA, certified Good Manufacturing Practices device-manufacturing facility in Foster City, California.

On September 19, 2005, we entered into a stock purchase agreement with BioCheck and its stockholders to purchase all of its common stock for $6.0 million in cash. BioCheck is a leading producer of enzyme immunoassay diagnostic kits for clinical laboratories. On December 6, 2005, we purchased 51% of the shares of BioCheck's common stock from each of its stockholders on a pro rata basis for $3,060,000 in cash. In the third quarter of 2007 we purchased an additional 2% of BioCheck shares.

John Chen, Ph.D., co-founded BioCheck in January 1997 and has since served as Chief Executive Officer and Chairman of the Board. He is a biochemist and clinical chemist with 30 years of research and development and assay development expertise. Dr. Chen has developed over 50 enzyme immunoassay and rapid tests, a number of which have been approved for marketing by the FDA. His technical expertise in immunology and biochemistry is complemented by his ability to facilitate technology transfer from research and development to manufacturing.

Prior to co-founding BioCheck, Dr. Chen co-founded Medix Biotech, Inc. in 1983, specializing in monoclonal/polyclonal antibodies, enzyme immunoassay test kits, and rapid test kits. Following Medix Biotech's acquisition by Genzyme Corporation in 1992, Dr. Chen remained as Vice President of Research and Development until 1995. Between 1981 and 1983, he co-founded Pacific Biotech Inc. that was subsequently acquired by Eli Lilly and Company in 1990. At Pacific Biotech, Dr. Chen was instrumental in the development of the first rapid pregnancy test. He also previously served research scientist roles at Sigma Chemical, Mallinckrodt, and Beckman Instruments. Dr. Chen co-founded Rapid Diagnostics, Inc. in 1998, specializing in the development of rapid diagnostic test kits for the drugs of abuse. The company was acquired by ICN Pharmaceuticals, Inc. in 2002. Dr. Chen holds a B.S. in Chemistry from Tunghai University in Taiwan and a Ph.D. in Biochemistry from the University of Alberta, Edmonton, Canada.

Effective December 6, 2005 and in connection with our initial acquisition of a 51% majority stake in BioCheck, Dr. Chen entered into an executive employment agreement, under which Dr. Chen became employed as President of BioCheck. Dr. Chen has agreed to devote not less than 90% of his business time and efforts to the primary business of BioCheck. In the event that BioCheck terminates the employment of Dr. Chen at any time other than for cause, Dr. Chen will receive an amount equal to 12 months of his then-current base salary.

BioCheck Products and Services

BioCheck offers its clinical laboratory and *in vitro* diagnostics customers over 40 clinical diagnostic assays manufactured in its 15,000 square-foot, U.S. Food and Drug Administration, or FDA, certified Good Manufacturing Practices device-manufacturing facility in Foster City, California. Of the 40 total clinical diagnostic assays offered by BioCheck, 17 clinical diagnostic assays have been cleared by the FDA for marketing and sales and a number of its products have FDA certificates to foreign governments and certificates of exportability. BioCheck's clinical diagnostic kits have been registered in Brazil, China, India, Italy, Taiwan, Turkey, and the United Kingdom, and BioCheck's distributors deliver its products to countries in Central and South America, Europe, the Middle East, and Asia.

BioCheck Clinical Diagnostics

The clinical diagnostics market consists of companies that develop and manufacture a wide array of instruments, immunoassays reagents and data analysis tools. Diagnostic instruments are the key hardware components, such as automated immunoassay analyzers, used in the automatic processing of the diagnostic tests. Reagents are the bioactive test ingredients which, when combined with the biologically derived samples, provide the diagnostic test results. The analysis tools, such as software programs and applications, assist the researchers and clinicians in the interpretation of data collected from high-volume analyzers and reagents.

BioCheck focuses primarily on the immunoassay segment of the clinical diagnostics market. The simplified, basic components of any immunoassay system are: an antigen, an antibody specific to this antigen, and a system to measure the amount of the antigen in a given sample. The commonly used immunoassays share four common components required to produce a high quality immunoassay product: a supply of high-purity antigens, a supply of high quality, specific monoclonal or polyclonal antibodies, a stable detection system, and a precise method for separating the bound detection system at the end of the reaction. The ability to develop, isolate and maintain the antibodies is a critical component of immunoassay technology.

BioCheck's primary product line consists of enzyme linked immunoassay, or ELISA, kits that are widely used in medical laboratory settings. An ELISA test consists of linking an antibody or antigen to an enzyme in order to detect a match between the antibody and antigen. An ELISA test is used to detect specific antigens in a biological sample and the presence of antibodies attached to specific antigenic sites on proteins or other molecules in a biological sample.

The primary antibody development platform of BioCheck utilizes hybridoma technology. This process creates monoclonal antibodies to precisely measure very low concentrations of proteins in blood and plasma. The ability to express, isolate and maintain high-quality antibodies is a critical component of immunoassay test kit technology. BioCheck uses standard chromatography technology and its proprietary antibody conjugation methods for its antibody purification services and antibody conjugates. We believe that BioCheck's products and services exceed industry average standards for stability and purity.

Test kits manufactured by BioCheck identify the existence, and in some cases the amount, of a specific molecule, or marker, that is an indicator of a condition or disease state. These test kits are applicable to cardiac markers; tumor markers for liver, ovarian, breast, prostate and gastrointestinal conditions; infectious diseases including pregnancy-related panel screens for toxoplasmosis, rubella, cytomegalovirus, and the herpes virus; thyroid function; steroids including Estradiol, Progesterone, Testosterone, and Estriol; and fertility hormones.

BioCheck's revenues from product shipments were $3.9 million in 2007, $3.7 million in 2006 and $3.5 million in 2005.

BioCheck Research Reagents and Assay Kits

BioCheck currently has several products under development for cancer, cardiac/inflammatory and angiogenesis research applications. Among these products, BioCheck has marketed the following ELISA kits to the research market in 2006 and early 2007:

- Reagents for the detection of HMGA2, a marker for aggressive breast cancer;
- Research assays for the detection of HMGA2; and
- A new myeloperoxidase research assay, based on an inflammatory protein that has utility as a prognostic marker for cardiac events;

A research assay and reagents for the detection of HMGA2, a marker for aggressive breast cancer, have been marketed since July 2006. Myeloperoxidase is an inflammatory protein that has utility as a prognostic marker for cardiac events. A new myeloperoxidase research assay has been developed that resulted in commercial sales in November 2006. Id proteins play a central role in cell differentiation, and Id1 and Id3 play a central and critical role in tumor related angiogenesis. BioCheck has developed research assays and rabbit monoclonal antibodies for the detection of human and mouse Id proteins. BioCheck began making Id protein reagents commercially available in January 2007, and the Id protein assays were launched commercially in the first quarter of 2007.

BioCheck Cardiovascular Markers

Coronary heart disease, or CHD, is the most common form of heart disease caused by a narrowing of the coronary arteries that feed the heart. It is the number one cause of mortality for both men and women in the U.S. Approximately seven million Americans suffer from CHD and more than 500,000 Americans die of heart attacks caused by CHD every year. The National Heart, Lung, and Blood Institute sponsored a multi-center epidemiologic study in 2003. Increased levels of lipoprotein-associated phospholipase, or Lp-PLA2, in patients followed in this study have been linked to increased risk of CHD. In collaboration with diaDexus, BioCheck has developed and manufactures an FDA cleared clinical diagnostic test for Lp-PLA2 called the PLAC test. While the PLAC test is not a stand-alone test for predicting CHD, it provides supportive evidence when used with clinical evaluation and other tools for patient risk assessment. An elevated PLAC level with an LDL-cholesterol level of less than 130 mg/dL suggests that patients have two to three times the risk of having coronary heart disease when compared with patients having lower PLAC test results. BioCheck manufactures the PLAC test and diaDexus promotes and sells it to the medical community. BioCheck's revenues from PLAC test manufacturing and services were approximately $131,000 in 2007, $520,000 in 2006 and $340,000 in 2005. OXIS management does not expect that BioCheck's sales to diaDexus will be a significant source of revenue in 2008.

BioCheck Research Services

In addition to clinical and research assay products, BioCheck provides various research services to pharmaceutical and diagnostic companies worldwide. Research services consist primarily of highly specialized laboratory testing that enhances the speed, and lowers the clinical risk, of the pharmaceutical development process. The services include custom immunoassay development, antibody purification and conjugation, and immunoassay assembly.

- *Custom Immunoassay Development.* With over 30 years of experience and the development over 40 immunoassay products, BioCheck's in-house research and development team provides antibodies and antigens, and assists biotechnology and pharmaceutical customers with the development of their immunoassay test kits.

- *Antibody Purification and Conjugation.* Using chromatography technology and proprietary antibody conjugation methods, BioCheck offers antibody purification services and antibody conjugates. Stability testing has indicated that BioCheck's conjugates remain active for five years.

- *Immunoassay Assembly Services.* Having developed over 40 immunoassay products, BioCheck has exceptional test kit packaging experience and can provide custom immunoassay assembly services for our customers.

Further Information Regarding OXIS and BioCheck

Research and Development

BioCheck invested $112,000, $518,000 and $432,000 in research and development in the years 2007, 2006 and 2005, respectively. As of December 31, 2007, BioCheck employed four employees in research and development. During 2007, BioCheck's research staff was primarily used to produce compounds for diagnostic use and optimize methods for binding these compounds to biological reagents such as antibodies. BioCheck employs a proprietary process for antibody conjugation resulting in highly stable products. BioCheck also developed proprietary clinical diagnostics tests that include promising new angiogenesis tumor markers and an aggressive breast cancer marker, which were launched in the fourth quarter of 2006.

Angiogenesis Tumor Markers

In April 2004, BioCheck entered into a development and marketing agreement with AngioGenex, Inc., a New York based development stage biopharmaceutical company focused on creating products for the treatment, diagnosis and prognosis of cancer ("AngioGenex"), for the diagnostic/prognostic applications of Id proteins in angiogenesis, which is the formation of blood vessels. The therapeutic and diagnostic applications of this process were patented by Memorial Sloan-Kettering Cancer Center and Albert Einstein Medical College and licensed to AngioGenex. The diagnostic application was subsequently licensed to BioCheck.

Id genes are expressed at high levels to produce Id proteins in many tissues during human embryonic development, but are generally not expressed, or expressed at very low levels, in adults except in some tumor cell types and tumor blood vessels. Id1, Id2 and Id3 proteins have been closely implicated in tumor-associated angiogenesis. Interfering with the action of the Id proteins may prove to be very effective in preventing the growth and metastases of both early and established tumors. Id proteins play a central role in cell differentiation, and Id1 and Id3 play a central and critical role in tumor related angiogenesis. The effectiveness of this approach has been demonstrated in commercially available therapeutic drugs, such as Avastin™, which targets the vascular endothelial growth factor. Such therapeutics have been modestly effective, suggesting the need for research and development to identify more powerful and specific agents for cancer therapy.

BioCheck's goal is to clinically validate an Id-based diagnostic/prognostic product in collaboration with AngioGenex. During 2006, BioCheck's research staff continued to work on the clinical validation of potential diagnostic products based on Id proteins related to tumor angiogenesis. Monoclonal antibodies to the Id proteins are required in order to develop highly sensitive ELISA diagnostic and prognostic tests. BioCheck has developed rabbit monoclonal anti-Id1, Id2, Id3 and Id4 antibodies that can be used in cell and tissue extracts through commonly utilized detection methods including Western Blot analysis, immunohistochemistry staining and ELISA tests. Western Blot analysis is a method of separating proteins by mass through a gel based process. Immunohistochemistry staining is a process of localizing proteins in cells by tagging their respective antibodies with color producing tags. ELISA tests are used for measuring the amount of Id1, Id2, Id3 and Id4 proteins in cell culture supernatants, and cell and tissue extracts. BioCheck began making Id protein reagents commercially available in January 2007, and the Id protein assays were launched commercially in the first quarter of 2007.

Aggressive Breast Cancer Marker

In 2005, BioCheck entered into a development and marketing agreement with HMGene, Inc., or HMGene, based in Piscataway, New Jersey for the development and manufacturing of an ELISA test for the HMGA2 gene. The HMGA2 gene has been implicated in aggressive forms of breast cancer. The detection technology for tissue staining and peripheral blood samples related to the HMGA2 gene has been patented by HMGene and licensed to BioCheck for the development of rabbit polyclonal and monoclonal anti-HMGA2 antibodies. These antibodies can be used for Western Blot analyses, immunohistochemistry staining and ELISA assays.

While we believe that these are potentially promising diagnostic products, no assurances can be given that the company will have sufficient funding and resources to continue research, development and commercialization of these technologies.

Patents and Trademarks

OXIS Patent Portfolio

We are substantially dependent on our ability to obtain and maintain patents and proprietary rights for our marketed products and to avoid infringing the proprietary rights of others. We have an extensive portfolio of patents for diagnostic assays and several series of small molecular weight molecules to detect, treat and monitor diseases associated with damage from free radicals and reactive oxygen species. This portfolio provides opportunities to apply our technologies to a wide range of diseases and conditions of oxidative stress.

Patent coverage includes aspects of all four of our classes of small molecular weight antioxidant molecules. We hold the patents and patent applications for the protective effect of Ergothioneine on mitochondria, the commercial preparation process and the neuroprotectant methods and compositions of Ergothioneine. We have sublicensed to HaptoGuard, Inc. (now Synvista Thereapeutics) three patents and one patent application related to BXT-51072. Our assays for markers of oxidative stress are generally protected by trade secrets, and to some extent, patents. Five U.S. patents and eight international patents have been issued with respect to these assays. The oxidative stress assays are sold under the registered trademark Bioxytech®. Associated foreign patents have been issued in most cases and foreign patent applications have been filed associated with the listed patents and patent applications.

Below we have listed selected patents and patent applications relating to our core business including marketed products and sublicenses.

OXIS Research Assay Patents

- U.S. Patent 5,726,063 issued March 10, 1998 for "Method of Colorimetric Analysis of Malonic Dialdehyde and 4-Hydroxy-2-Enaldehydes as Indexes of Lipid Peroxidation, Kits for Carrying Out Said Method, Substituted Indoles for Use in Said Method and their Preparation" will expire on May 6, 2014.
- U.S. Patent 5,543,298 issued August 6, 1996 for "Method for Assaying the SOD Activity by Using a Self-Oxidizable Compound Necessary for its Implementation, Self-Oxidizable Compounds and Preparation Thereof" will expire on August 6, 2013.
- U.S. Patent 6,235,495 issued May 1, 2001 for "Methods for the Quantiation of In Vivo Levels of Oxidized Glutathione" will expire on November 12, 2019.
- U.S. Patent 5,861,262 issued January 19, 1999 for "Method of the Specific Immunoassay of Human Plasma Glutathione Peroxidase, Kit for its Implementation, Oligopeptides and Antibodies Specific for the Method" will expire on January 19, 2016.
- U.S. Patent 5,817, 520 issued October 6, 1998 for "Spectrophotometric Methods for Assaying Total Mercaptans, Reduced Glutathione (GSH) and Mercaptans other than GSH in an Aqueous Medium, Reagents and Kits for Implementing Same" will expire on December 15, 2012.

OXIS Ergothioneine Patents

- U.S. Patent 5,438,151 issued August 1, 1995 entitled "Process for the Preparation of Ergothioneine" will expire on February 8, 2014.
- U.S. Patent 6,103,746 issued August 8, 2000 entitled "Methods and Compositions for the Protection of Mitochondria" will expire on February 19, 2018.
- Patent Application Serial No. 60/367,845 filed March 26, 2002 entitled "Neuroprotectant Methods, Compositions and Screening Methods Thereof".

Selected Licensed BXT-51072 Patents

- U.S. Patent 5,968,920 issued October 19, 1999 entitled "Novel Compounds having a Benzoisoelen-Azoline and -Azine Structure, Method for Preparing Same and Therapeutic Uses Thereof" will expire on April 7, 2015.
- U.S. Patent 6,093,532 issued July 25, 2000 entitled "Method for Storing a Biological Organ Transplant Graft Using a Benzisoelen-Azoline or -Azine Compound" will expire on April 7, 2015.
- U.S. Patent 5,973,009 issued October 26, 1999 entitled "Aromatic Diselenides and Selenosulfides, their Preparation and their Uses, more Particularly their Therapeutic Use" will expire on December 23, 2017.
- U.S. Patent 6,525,040 issued February 25, 2003 entitled "Cyclic Organoselenium Compounds, their Preparation and their Uses" will expire on December 23, 2017.

These patents can expire earlier if they are abandoned or are not adequately maintained. We cannot assure you that corresponding patents will be issued or that the scope of the coverage claimed in our patent applications will not be significantly reduced prior to any patent being issued.

BioCheck Patent Applications and Other Rights

As of December 31, 2007, BioCheck had filed two patent applications covering research and diagnostic assays to detect Id1 and Id2 related to tumor angiogenesis. Angiogenesis is the formation of blood vessels in tumors.

In April 2004, AngioGenex and BioCheck entered into an agreement to develop cancer diagnostic and prognostic products based on the Id-gene platform technology licensed exclusively to AngioGenex by the Albert Einstein College of Medicine and the Memorial Sloan Kettering Cancer Center. The agreement assigns to BioCheck exclusive rights to develop and market diagnostics based on AngioGenex's Id technology in return for royalties.

A critical component of the clinical validation of an Id protein-based diagnostic/prognostic product is the development of monoclonal antibodies, or mAbs, to the Id proteins. Id proteins play a significant role in the process of tumor related angiogenesis and other functions related to blood vessel formation. BioCheck has developed rabbit monoclonal anti-Id1, Id2 and Id3 antibodies for Western Blot analyses and immunohistochemistry staining, and ELISA tests for measuring Id1, Id2 and Id3 in cell culture supernatants, and cell and tissue extracts.

AngioGenex and BioCheck have filed joint patent applications for the mAbs to the Id proteins. Under the joint patent application, BioCheck has the exclusive rights to the diagnostic applications of the Id proteins while AngioGenex owns the rights for the therapeutic drug applications. U.S. Provisional Application Serial No. 60/691,060 was filed on June 16, 2005 related to the Id1 protein, titled "Novel Rabbit Monoclonal Antibodies to Id1". The patent application related to the Id3 protein, titled "Rabbit Monoclonal Antibody Against Human Id3 Protein" was filed on January 27, 2006.

BioCheck has filed a patent application for a clinical diagnostic related to the *troponin* protein complex. Certain types of troponin including cardiac troponin I and T are highly sensitive and specific indicators of damage to the heart muscle. Myocardial infarction, or a heart attack, can be differentiated from unstable angina, or pain, by measuring troponin in the blood in patients with chest pain. Patent application serial number 11/116,290 was filed April 28, 2005 titled "Immunoassay for Cardiac Troponin-I in Non-Human Mammalian Species." John Chen is a co-inventor of the immunoassay that is the subject of this patent application.

Competition

According to Boston Biomedical Consultants and Morgan Stanley Research estimates, the worldwide clinical diagnostics market including instruments, immunoassays, rapid diagnostic tests and data analysis tools was approximately $22 billion in sales revenue in 2004 and increased approximately 9% from the previous year. Competition in the clinical diagnostics market is intense and highly fragmented, with the largest competitor, Roche Diagnostics, holding a 16% market share.

BioCheck's direct competitors are developers and manufacturers of research and clinical diagnostic products and include, but are not limited to, Adaltis Inc., BioSource International, Inc., Diagnostic Products Corporation, Monobind, Inc. and BioClone Australia Pty Ltd.

In order to continue to successfully market BioCheck's products and services, the company will be required to demonstrate that its immunoassay products meet or exceed the industry standards for quality as measured by high levels of purity, stability, precision of measurement and cost effectiveness. The company's competitors may succeed in developing or marketing products that are more effective or commercially attractive. The launch of these competitive products may adversely impact the market pricing for BioCheck's products as some of these competitors have substantially greater financial, technical, research and development resources and more established marketing, sales, distribution and service organizations.

Government Regulation

In the United States, our current products and manufacturing practices are not subject to regulation by the United States Food and Drug Administration, or FDA, pursuant to the Federal Food, Drug and Cosmetic Act as it relates to research products. Development, manufacture and marketing of clinical diagnostic products which we are currently pursuing and therapeutic compounds are regulated by the FDA. We believe that we currently are in compliance with all such regulations and intend that in the future all of our diagnostic and therapeutic developments will be in compliance with these regulations, as needed.

Employees

As of December 31, 2007, we had five full time employees, including two scientists in manufacturing/research and development, two employees in administrative and operational support and one executive officer. None of our employees are subject to a collective bargaining agreement. We believe our relationship with our employees is good, and we have never experienced an employee-related work stoppage.

As of December 31, 2007, BioCheck employed 23 full-time employees. Included among BioCheck's full-time are 14 technicians in manufacturing, four scientists and research associates in research and development, two specialists in quality control functions, and professionals in administrative and operational support.

Facilities

We maintain a facility adjacent to BioCheck at 323 Vintage Park Drive, Suite B, Foster City, CA 94404, which also serves as our corporate headquarters. BioCheck occupies a 15,000 square foot facility adjacent to us, at Vintage Park, 323 Vintage Park Drive, Foster City, CA 94404. For further details regarding our facilities, please refer to Item 2 -- "Description of Property" below, which is incorporated by reference.

ITEM 2. DESCRIPTION OF PROPERTY

In December 6, 2005 we purchased 51% of BioCheck and initiated a transition plan to consolidate all operations at BioCheck's manufacturing facility. Consequently, during 2006, we entered into a three-year lease agreement commencing on April 1, 2006 for 4,136 square feet of space immediately adjacent to BioCheck at 323 Vintage Park Drive, Suite B, Foster City, CA 94404. These premises serve to accommodate the relocation and consolidation of our corporate headquarters and operations.

BioCheck occupies approximately 15,000 square feet of administrative, laboratory and manufacturing space located at Vintage Park, 323 Vintage Park Drive, Foster City, CA 94404, pursuant to a lease expiring in December 2008. The facility has been certified according to the U.S. Food and Drug Administration, or FDA, Good Manufacturing Practice standards, which are subject to annual audits by the FDA. In addition, the facility has been certified to meet the highest international manufacturing standard (ISO 13485) generally accepted in Europe and Asia, according to the International Organization for Standardization, or ISO. BioCheck believes that it is in compliance with all other regulatory certifications applicable to its line of business, including Device Manufacturing License for the state of California, Registration of Device Establishment, Certificate of Foreign Government and Certificate of Exportability**.**

ITEM 3. LEGAL PROCEEDINGS

None.

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

We held our Annual Meeting of Stockholders on November 9, 2007. Set forth below is a summary of each matter voted upon at the meeting and the number of votes cast for, against, withheld or abstained.

Proposal #1: The election of Marvin S. Hausman, M.D., S. Colin Neill, John E. Repine, M.D., Gary M. Post and Matthew Spolar to serve on our Board of Directors:

Nominee	Total Votes For All Nominees	Total Votes Withheld From All Nominees
Marvin S. Hausman, M.D.	33,746,566	1,942,555
S. Colin Neill	33,747,313	1,941,808
John E. Repine, M.D.	33,748,908	1,940,213
Gary M. Post	29,879,268	5,809,853
Matthew Spolar	33,769,184	1,919,937

Proposal #2: Ratification of the appointment of Williams & Webster, P.S. as our independent auditors for the year ending December 31, 2007:

Total Votes For	Total Votes Against	Abstained
34,595,659	1,013,735	79,727

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock continues to be traded in the Over-The-Counter Bulletin Board and remains listed in France on the Nouveau Marché and in Germany on the Frankfurt Stock Exchange.

The market represented by the OTCBB is limited and the price for our common stock quoted on the OTCBB is not necessarily a reliable indication of the value of our common stock. The following table sets forth the high and low bid prices for shares of our common stock for the periods noted, as reported on the OTCBB. Quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

YEAR	PERIOD	HIGH	LOW
Fiscal Year 2006	First Quarter	$ 0.38	$ 0.26
	Second Quarter	$ 0.44	$ 0.32
	Third Quarter	$ 0.36	$ 0.21
	Fourth Quarter	$ 0.28	$ 0.18
Fiscal Year 2007	First Quarter	$ 0.29	$ 0.20
	Second Quarter	$ 0.29	$ 0.15
	Third Quarter	$ 0.17	$ 0.10
	Fourth Quarter	$ 0.11	$ 0.07

Stockholders

As of April 4, 2008, we had approximately 46,850,809 shares of common stock issued and outstanding which were held by approximately 1,044 stockholders of record, which total does not include stockholders who hold their shares in street name. The transfer agent for our common stock is ComputerShare, whose address is 250 Royall Street, Canton, Massachusetts 02021.

DIVIDEND POLICY

Our board of directors determines any payment of dividends. We utilize our assets to develop our business and, consequently, we have never paid a dividend and do not expect to pay dividends in the foreseeable future. Any future decision with respect to dividends will depend on future earnings, operations, capital requirements and availability, restrictions in future financing agreements and other business and financial considerations.

Recent Sales of Unregistered Securities

October 2006 Convertible Debenture and Warrant Financing. On October 25, 2006, we entered into a Securities Purchase Agreement, or Purchase Agreement, with four accredited investors, or the Purchasers. In conjunction with the signing of the Purchase Agreement, we issued Secured Convertible Debentures, or Debentures, and Series A, B, C, D, and E Common Stock Warrants, or Warrants, to the Purchasers, and the parties also entered into a registration rights agreement and a Security Agreement, or collectively, the Transaction Documents.

Pursuant to the terms of the Purchase Agreement, we issued the Debentures in an aggregate principal amount of $1,694,250 to the Purchasers. The Debentures are subject to an original issue discount of 20.318% resulting in proceeds to OXIS of $1,350,000 from the transaction. The Debentures mature on October 25, 2008, but may be prepaid by us at any time provided that the common stock issuable upon conversion and exercise of the Warrants is covered by an effective registration statement. The Debentures are convertible, at the option of the Purchasers, at any time, into shares of common stock at $0.35 per share, as adjusted pursuant to a full ratchet anti-dilution provision, or the Conversion Price. Beginning on February 1, 2007, we were required to amortize the Debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date, or the Monthly Redemption Amounts. The Monthly Redemption Amounts can be paid in cash or in shares, subject to certain restrictions. If we choose to make any Monthly Redemption Amount payment in shares of common stock, the price per share is the lesser of the Conversion Price then in effect and 85% of the weighted average price for the 10 trading days prior to the due date of the Monthly Redemption Amount.

Pursuant to the Debentures, we covenanted that we will not incur additional indebtedness for borrowed money, other than our current Bridge Bank Promissory Note which was owing at the time the Debenture financing was completed. The Bridge Bank Promissory Note was paid in full in February 2007. We also covenant that we will not pledge, grant or convey any new liens on its assets. The obligation to pay all unpaid principal will be accelerated upon an event of default, including upon failure to perform our obligations under the Debenture covenants, failure to make required payments, default on any of the Transaction Documents or any other material agreement, lease, document or instrument to which we are obligated, the bankruptcy of OXIS or related events. The Purchasers have a right of first refusal to participate in up to 100% of any future financing undertaken by us until the later of the date that the Debentures are no longer outstanding and the one year anniversary of the effective date of the registration statement. We are restricted from issuing shares of common stock or instruments convertible into common stock for 90 days after the effective date of the registration statement with certain exceptions. We are also prohibited from completing any subsequent financing involving a variable rate transaction until such time as no Purchaser holds any of the Debentures. In addition, until such time as any Purchaser holds any of the securities issued in the Debenture transaction, if we issue or sell any common stock or instruments convertible into common stock which a Purchaser reasonably believes is on terms more favorable to such investors than the terms pursuant to the Transaction Documents, we are obligated to amend the terms of the Transaction Documents to such Purchaser the benefit of such better terms. We may prepay the entire outstanding principal amount of the Debentures, plus accrued interest and other amounts payable, at our option at any time without penalty, provided that a registration statement is available for the resale of shares underlying the Debentures and Warrants, as more fully described in the Debentures. The purpose of this Debenture transaction is to provide us with intermediate term financing as we seek longer term financing.

On October 25, 2006 in conjunction with the signing of the Purchase Agreement, we issued to the Purchasers five year Series A Warrants to purchase an aggregate of 2,420,357 shares of common stock at an initial exercise price of $0.35 per share, one year Series B Warrants to purchase 2,420,357 shares of common stock at an initial exercise price of $0.385 per share, and two year Series C Warrants to purchase an aggregate of 4,840,714 shares of common stock at an initial exercise price of $0.35 per share. In addition, we issued to the Purchasers Series D and E Warrants which become exercisable on a pro-rata basis only upon the exercise of the Series C warrants. The six year Series D Warrants to purchase 2,420,357 shares of common stock have an initial exercise price of $0.35 per share. The six year Series E Warrants to purchase 2,420,357 shares of common stock have an initial exercise price of $0.385 per share. The initial exercise prices for each warrant are adjustable pursuant to a full ratchet anti-dilution provision and upon the occurrence of a stock split or a related event.

Pursuant to the registration rights agreement, we filed a registration statement covering the public resale of the shares underlying the Series A, B, C, D and E Warrants and the Debentures within 45 days of the closing of the transaction and caused the registration to be declared effective within 120 days of the closing date, The registration statement was declared effective by the SEC on February 12, 2007.

Pursuant to the Security Agreement, we agreed to grant the Purchasers a security interest in substantially all of our assets. We also agreed to pledge our respective ownership interests in our wholly-owned subsidiaries, OXIS Therapeutics, OXIS Isle of Man, and our partial subsidiary, BioCheck, Inc. Our subsidiaries, OXIS Therapeutics and OXIS Isle of Man, also provided a subsidiary guarantee to the Purchasers in connection with the transaction.

We have not made required monthly redemption payments beginning on February 1, 2007 to purchasers of debentures issued in October 2006. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If we fail to make such payment in full, the purchasers have the right sell substantially all of our assets pursuant to their security interest to satisfy any such unpaid balance. The Monthly Redemption Amount is approximately $85,000 and as of March 1, 2008 we were 14 months behind. We would have to issue approximately 6,839,271 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totaling approximately $904,000 in arrears.

As of March 1, 2008 we were in technical default under the October 2006 debentures, because of non-payment of the monthly redemption payments which became due beginning on February 1, 2007, We are in active negotiations with the debenture holders to amend the debentures in a manner which would remove the current status of technical default. Until final agreement is reached on such potential amendments, we cannot give any assurance that the debenture holders will continue to forbear from enforcing the terms applicable in the case of default.

Anti-dilution Adjustments Under Warrant to Fagan Capital. In connection with a loan, we issued a warrant to Fagan Capital on June 2, 2006, for the purchase of up to 1,158,857 shares of our common stock at an exercise price of $0.35 per share. This warrant contained an anti-dilution clause, which if triggered, would cause the warrant to be adjusted to increase the number of shares of common stock purchasable, and would lower the exercise price of the warrant. Specifically, the anti-dilution provision provides that if the Company should issue common stock for a per share price below $0.35, excluding up to 2.3 million shares issued for any purpose, then the exercise price (initially $0.35 per share) would be adjusted downward to equal the per-share price net of selling expenses received by the Company for such common stock (including the issuance of warrants or options with an exercise price below $0.35 per share). The warrant further provides that each time that an adjustment is required to be made to the exercise price of the warrant, proportionate adjustments will also be made to the number of shares which may be purchased under the warrant, so that the total proceeds payable to the Company upon exercise in full of the warrant immediately prior to such adjustment to the exercise price shall equal the total proceeds payable to the Company upon exercise in full of the warrant immediately after such adjustment to the exercise price. In November 2006, we issued options and warrants for the purchase of shares in excess of the 2.3 million limit, at an exercise price as low as $0.18, to various officers and consultants. As a result, the warrant issued to Fagan Capital was adjusted automatically pursuant to its terms, such that it became exercisable for up to a maximum of 2,253,333 shares of common stock, and an exercise price of $0.18 per share.

Investment by Alteon. Under the license agreement dated April 2, 2007 between Alteon, Inc and us, Alteon (now named Synvista Therapeutics, Inc.) made an equity investment in our common stock, at a per-share price of $0.24 per share, resulting in net proceeds to us of $500,000.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This discussion contains forward-looking statements based upon our current expectations and involves risks and uncertainties. To the extent that the information presented in this report discusses financial projections, information or expectations about our business plans, results of operations, products or markets, or otherwise makes statements about future events, such statements are forward-looking. Such forward-looking statements can be identified by the use of words such as "may," "will," "should," "might," "would," "intends," "anticipates," "believes," "estimates," "projects," "forecasts," "expects," "plans," and "proposes." Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These include, among others, the cautionary statements in the "Risk Factors" and "Management's Discussion and Analysis and Plan of Operation" sections of this report. These cautionary statements identify important factors that could cause actual results to differ materially from those described in the forward-looking statements. When considering forward-looking statements in this report, you should keep in mind the cautionary statements in the "Risk Factors" and "Management's Discussion and Analysis or Plan of Operation" sections below, and other sections of this report.

The statements contained in this Form 10-KSB that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future.

All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results could differ materially from those included in such forward-looking statements. For a more detailed explanation of such risks, please see "Risk Factors" below. Such risks, as well as such other risks and uncertainties as are detailed in our SEC reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion and analysis or plan of operation should be read in conjunction with the consolidated financial statements and related notes.

Overview

OXIS International, Inc. focuses on the research and development of technologies and therapeutic products in the field of oxidative stress/inflammatory reaction, diseases that are associated with damage from free radicals and reactive oxygen species. Biological free radicals are the result of naturally occurring processes such as oxygen metabolism and inflammatory reactions. Free radicals react with key organic substances such as lipids, proteins and DNA. Oxidation of these biomolecules can damage them, disturbing normal functions and may contribute to a variety of disease states. Organ systems that are predisposed to oxidative stress and damage are the pulmonary system, the brain, the eye, the circulatory and reproductive systems. A prime objective of OXIS is to use its broad portfolio of oxidative stress biomarkers to identify associations between reactive biomarker signals and various disease etiologies and conditions.

We presently derive our revenues primarily from sales of research diagnostic reagents and assays to medical research laboratories. Our diagnostic products include approximately 45 research reagents and 26 assays to measure markers of oxidative stress. We hold the rights to four therapeutic classes of compounds in the area of oxidative stress and inflammation. One such compound is L-Ergothioneine, a potent antioxidant produced by OXIS, that may be appropriate for sale over-the-counter as a dietary supplement. In September 2005 we acquired a 51% interest in BioCheck and in the third quarter of 2007 we purchased an additional 2% of BioCheck shares and have the option to purchase the remaining 47% of BioCheck, Inc.

Our majority-held subsidiary, BioCheck, Inc. is a leading producer of clinical diagnostic assays, including high quality enzyme immunoassay research services and immunoassay kits for cardiac and tumor markers, infectious diseases, thyroid function, steroids, and fertility hormones designed to improve the accuracy, efficiency, and cost-effectiveness of *in vitro* (outside the body) diagnostic testing in clinical laboratories. BioCheck focuses primarily on the immunoassay segment of the clinical diagnostics market. BioCheck offers over 40 clinical diagnostic assays manufactured in its 15,000 square-foot, U.S. Food and Drug Administration, or FDA, certified Good Manufacturing Practices device-manufacturing facility in Foster City, California.

We generated net income of $471,000 in 2007 and incurred net losses of $4,940,000 in 2006. Net income in 2007 was primarily affected by non-cash income relating to decrease in warrant and derivative liabilities. For year ended December 31, 2007 such non-cash income was $2,659,000 compared to $32,000 during the year ended December 31, 2006. During 2006, we obtained debt financing in the amount of $1,350,000. Such financing resulted in non-cash financing charges of $1,674,000 in 2006.

As shown in the accompanying consolidated financial statements, we have incurred an accumulated deficit of $69,848,000 through December 31, 2007. On a consolidated basis, we had cash and cash equivalents of $1,140,000 at December 31, 2007 of which $950,000 was held by BioCheck. Since BioCheck has been and is expected to continue to be cash flow positive, management believes that BioCheck's cash will be sufficient to sustain its operating activities, however, OXIS does not have access to the funds held by BioCheck as BioCheck is not a wholly owned subsidiary. The cash held by the OXIS parent company was $190,000 at December 31, 2007. We will need to seek additional loan and/or equity financing to pay for basic operating costs, or to expand operations, implement our marketing campaign, or hire additional personnel. During the three months ended September 30, 2007, we purchased an additional 2% of Bio Check shares for $132,000. Additionally, we may decide to acquire the remaining 47% of BioCheck that we currently do not own, which would require additional financing. However, we may not successfully obtain debt or equity financing on terms acceptable to us, or at all, that will be sufficient to finance our operating costs in 2008 and our other goals. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event we cannot continue our operations.

See the Risk Factors beginning on page 34 concerning disclosure of the significant risks to our business.

Recent Developments

Current significant financial and operating events and strategies are summarized as follows:

Product Development

OXIS product development is focused on the development of four new oxidative stress assays and the improvement of several existing oxidative stress assays adapting them for high throughput applications.

BioCheck currently has several products under development for cancer, cardiac/inflammatory and angiogenesis research applications. Among these products, BioCheck has marketed the following ELISA kits to the research market in 2006 and early 2007:

- Reagents for the detection of HMGA2, a marker for aggressive breast cancer;
- Research assays for the detection of HMGA2; and
- A new myeloperoxidase research assay, based on an inflammatory protein that has utility as a prognostic marker for cardiac events;

In addition, BioCheck has developed research assays and rabbit monoclonal antibodies for the detection of human and mouse Id proteins. Id proteins play a central role in cell differentiation, and Id1 and Id3 play a central and critical role in tumor related angiogenesis. BioCheck began making Id protein reagents commercially available in January 2007, and the Id protein assays were launched commercially in the first quarter of 2007.

Management Team and Board of Directors

Effective January 11, 2007, Matthew Spolar, Vice President, Product Technology for Atkins Nutritionals, Inc., was appointed to our board of directors. Also on January 11, 2007, the board of directors approved an amendment to our bylaws to fix the number of authorized directors at six. In March 2007, we retained Kevin Pickard, a certified public accountant, to provide management with support and assistance with regard to certain matters previously handled by Michael Centron, our former Chief Financial Officer. On April 12, 2007, Steve Guillen resigned from the board of directors of OXIS. His resignation was pursuant to a separation agreement described in Item 12 Certain Relationships and Related Transactions on page 64 below.

Loan

On December 6, 2005, we entered into a non-revolving one-year loan agreement with KeyBank, N.A., or KeyBank, and received funds of $3,060,000 to purchase 51% of BioCheck's common stock. As security for our repayment obligations, we granted a security interest to KeyBank in our $3,060,000 certificate of deposit at KeyBank. This loan was repaid during February 2006 and a new one-year loan agreement for $3,060,000 was entered into with Bridge Bank. As part of the loan arrangement with Bridge Bank, we granted a security interest in a $3,060,000 certificate of deposit moved from KeyBank to Bridge Bank. The loan bore interest at 3.0% and the certificate of deposit bore interest at 1.0%. This loan was paid in full in February 2007 primarily from the proceeds from the non-renewal of the certificate of deposit.

Debt Financing

On October 25, 2006, we entered into a Securities Purchase Agreement, or Purchase Agreement, with four accredited investors, or the Purchasers. In conjunction with the signing of the Purchase Agreement, we issued Secured Convertible debentures, or debentures, and Series A, B, C, D, and E common stock warrants, and we also provided the investors with registration rights under a registration rights agreement, and a security interest in our assets under a security agreement to secure the performance of our obligations under the debentures.

Pursuant to the terms of the Purchase Agreement, we issued the debentures in an aggregate principal amount of $1,694,250 to the Purchasers. The debentures were issued with an original issue discount of 20.318%, and resulted in proceeds to us of $1,350,000. The debentures are convertible, at the option of the holders, at any time into shares of common stock at $0.35 per share, as adjusted in accordance with a full ratchet anti-dilution provision (referred to in this report as the "conversion price"). Pursuant to the terms of the debentures, beginning on February 1, 2007, we began to amortize the debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date (the "Monthly Redemption Amounts"). The Monthly Redemption Amounts can be paid in cash or in shares, subject to certain restrictions. If we choose to make any Monthly Redemption Amount payment in shares of common stock, the price per share is the lesser of the conversion price then in effect and 85% of the weighted average price for the ten trading days prior to the due date of the Monthly Redemption Amount. See Note 2: Notes Payable in the Condensed Notes to Consolidated Financial Statements for a full description of the terms of the debentures and related agreements.

We have not made required monthly redemption payments beginning on February 1, 2007 to purchasers of debentures issued in October 2006. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If we fail to make such payment in full, the purchasers have the right sell substantially all of our assets pursuant to their security interest to satisfy any such unpaid balance. The Monthly Redemption Amount is approximately $85,000 and as of March 1, 2008 we were 14 months behind . We would have to issue approximately 6,839,271 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totaling approximately $904,000 in arrears. We cannot give any assurance that the debenture holders will continue to forbear from enforcing the terms applicable in the case of default.

Exclusive License Agreement with Alteon

On April 2, 2007, we entered into an Amended and Restated Exclusive License Agreement with Alteon, Inc. (recently renamed Synvista Therapeutics, Inc.), under which we granted Alteon worldwide exclusive rights to a family of orally bioavailable organoselenium compounds that have demonstrated potent anti-oxidant and anti-inflammatory properties in clinical and preclinical studies. Previously, OXIS was a party to a license agreement dated September 28, 2004 with HaptoGuard, Inc., which was subsequently acquired by Alteon. The amended and restated exclusive license agreement supercedes and replaces the prior agreement with HaptoGuard. The new agreement expands the scope of the original agreement to also include non-cardiovascular indications.

Under the new agreement, Alteon agreed to invest a minimum of $7.5 million over a three-year period following the effective date of the agreement, in its development program for the development, discovery and manufacture of licensed products based on the processes and compounds covered under the license. Alteon agreed to pay us a non-refundable sum of $500,000, payable in six monthly installments of $50,000, with the remaining $200,000 payable upon the closing of a financing of Alteon approved by Alteon's shareholders. As of December 31, 2007, we have received the entire $500,000. The agreement also provides for milestone payments to us upon certain significant milestone events in the development of a potential drug product. The agreement also entitles us to various levels of sublicensing fees and royalties based on a percentage of net sales of the licensed product.

As part of the agreement, Alteon agreed to make an equity investment in our common stock, at a per-share price equal to 125% of the trading price on the trading day immediately proper to such purchase, and no less than $0.24 per share. On August 3, 2007, Alteon purchased 2,083,333 shares at $0.24 per share resulting in net proceeds to us of $500,000.

The agreement is terminable for cause by either party, by Alteon with or without cause with 180 days' prior written notice, or by us if Alteon does not make timely payments under the license.

Lawsuit

On September 13, 2007, the lawsuit initiated by Applied Genetics Incorporated Dermatics ("AGI") against OXIS on or about April 13, 2007 was dismissed without prejudice by agreement of both parties. The original complaint by AGI alleged that certain actions taken by OXIS to protect and enforce its patents have caused damage to AGI, and asserted claims of unfair competition, tortuous interference with prospective economic advantage and contractual relations. The complaint also challenged the validity of one of OXIS' patents. OXIS subsequently counterclaimed alleging that AGI's production, use and sale of L-ergothioneine infringes certain patents held by OXIS. The parties have agreed to pursue mediation on the dispute, and subsequently arbitration if mediation proves unsuccessful.

Results of Operations

Revenues

The following table presents the changes in revenues from 2006 to 2007:

	2007	2006	Increase (Decrease) from 2006 Amount	%
Product revenues	$5,205,000	$5,201,000	$ 4,000	0%
License revenues	844,000	575,000	269,000	47%
Total revenues	$6,049,000	$5,776,000	$ 273,000	5%

The product revenues for the year ended December 31, 2007 were slightly higher than 2006. However, we are developing new diagnostic test kits and evaluating our product offerings, pricing and distribution network in order to increase sales volume.

The increase in license revenues was attributable to the Amended and Restated Exclusive License Agreement with Alteon. Specifically, the Company recorded revenues of $500,000 related to the non-refundable fees associated with entering into the Agreement.

Cost of product revenues

The following table presents the changes in cost of product revenues from 2006 to 2007:

	2007	2006	Increase (Decrease) from 2006 Amount	%
Cost of product revenues	$3,261,000	$3,084,000	$ 177,000	6%

The change in cost of product revenues is attributable to higher raw material, labor and manufacturing overhead costs in 2007.

Gross profit was $2,788,000 for the year ended December 31, 2007 compared to $2,692,000 for the year ended December 31, 2006. Gross profit as a percentage of revenues was 46% compared to 46% for the year ended December 31, 2007 and 2006, respectively. The increase in gross profit percentage is due to the increase in licensing revenues which does not have an associated cost of sales while the gross profit on our product sales increased by 2.9%.

Research and development expenses

The following table presents the changes in research and development expenses from 2006 to 2007:

	2007	2006	Increase (Decrease) from 2006 Amount	%
Research and development	$1,037,000	$ 708,000	$ 329,000	46%

The increase in research and development expenses is primarily attributable to a change in the mix to currently expensed research and development towards patent development and other capitalized research programs and projects. Further, patent amortization increased in 2007 primarily due to a $150,000 write-off of impaired patents. However, the actual amount of research and development expenses will fluctuate with the availability of attractive projects and the availability of the associated required funding.

Selling, general and administrative expenses

The following table presents the changes in selling, general and administrative expenses from 2006 to 2007:

	2007	2006	Increase (Decrease) from 2006 Amount	%
Selling, general and administrative	$2,867,000	$4,654,000	$(1,787,000)	(38%)

The decrease in selling, general and administrative expenses is primarily attributable to financing costs of $1,674,000 incurred in 2006 in connection with the issuance of convertible debentures on October 25, 2006.

Interest Income

Interest income was $52,000 compared to $80,000 for the year ended December 31, 2007 and 2006, respectively. The decrease is primarily due to the decrease in cash available for investment activities.

Change in value of warrant and derivative liabilities

The change in the value of warrant and derivative liabilities relates to the change in fair value of these liabilities recorded by us as a result of the convertible debentures issued in October 2006. When Oxis entered into the convertible debentures with the warrants on October 25, 2006, the beneficial conversion feature was valued at $690,000 and the warrants were valued at $2,334,000. The Company recognized an increase in income of $2,659,000 and $32,000 for the years ended December 31, 2007 and 2006, respectively.

Interest Expense

Interest expense was $1,014,000 compared to $484,000 for the year ended December 31, 2007 and 2006, respectively. The increase is due to the interest on the convertible debentures and the amortization of the debt issuance costs associated with the convertible debentures as well as penalty interest associated with the delinquent payment of the issued debentures.

Liquidity and Capital Resources

On a consolidated basis, we had cash and cash equivalents of $1,140,000 at December 31, 2007 of which $950,000 was held by BioCheck. The cash held by the OXIS parent company was $190,000 at December 31, 2007. Cash used in operating activities was $270,000 during the year ended December 31, 2007. In February 2008, we received $150,000 from BioCheck for reimbursement of management, market research, sales efforts, accounting fees and general corporate expenses incurred on their behalf. The cash held by the OXIS parent company of $190,000 at December 31, 2007, with the additional $150,000 received in 2008 from BioCheck is not sufficient to sustain our operations through the second quarter of 2008. Since BioCheck has been and is expected to continue to be cash flow positive, management believes that BioCheck's cash will be sufficient to sustain BioCheck's operating activities for the next 12 months.

The current rate of cash usage at our parent level raises substantial doubt about our ability to continue as a going concern, absent any new sources of significant cash flows. In an effort to mitigate this near-term concern we are seeking additional equity financing to obtain sufficient funds to sustain operations. We plan to increase revenues by introducing new products. However, we cannot provide assurance that we will successfully obtain equity or other financing, if any, sufficient to finance our goals or that we will increase product related revenues. Our financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that we cannot continue in existence.

Cash provided by investing activities was $2,762,000 during the year ended December 31, 2007. Cash used in financing activities was $2,560,000 during the year ended, December 31, 2007. During the year ended December 31, 2007, the Company received $3,060,000 in proceeds from a restricted certificate of deposit (investing activity) and used the proceeds to repay short-term borrowings (financing activity) from Bridge Bank.

As of December 31, 2007 we have received a license fee of $500,000 from Alteon pursuant to the terms of our license agreement with Alteon. In addition, in connection with our license agreement with Alteon, Alteon made an equity investment in our common stock, at a per-share price equal $0.24 per share, which resulted in net proceeds to us of $500,000. Since BioCheck has been and is expected to continue to be cash flow positive, management believes that BioCheck's cash will be sufficient to sustain BioCheck's operating activities. However, we cannot access the cash held by our majority-held subsidiary, BioCheck, to pay for our parent level operating expenses.

On October 25, 2006, we completed a private placement of debentures and warrants under a securities purchase agreement with four accredited investors. In this financing we issued secured convertible debentures in an aggregate principal amount of $1,694,250 (referred to in this report as the "debentures"), and Series A, B, C, D, and E common stock warrants (referred to in this report as the "warrants"). We also provided the investors registration rights under a registration rights agreement, and a security interest in our assets under a security agreement to secure performance of our duties and obligations under the debentures. Under the warrants, the investors have the right to purchase an aggregate of approximately 14.5 million shares of our common stock, at initial exercise prices ranging from $0.35 to $0.385 per share, and these exercise prices are adjustable according to a full ratchet anti-dilution provision, i.e., the exercise price may be adjusted downward in the event that we conduct a financing at a price per share below $0.35 or $0.385 per share, respectively. The Series D and E warrants are only exercisable pro rata subsequent to the exercise of the Series C warrants. The debentures were issued with an original issue discount of 20.318%, and resulted in proceeds to us of $1,350,000. The debentures are convertible, at the option of the holders, at any time into shares of common stock at $0.35 per share, as adjusted in accordance with a full ratchet anti-dilution provision (referred to in this report as the "conversion price"). Pursuant to the terms of the debentures, beginning on February 1, 2007, we began to amortize the debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date (the "Monthly Redemption Amounts"). The Monthly Redemption Amounts can be paid in cash or in shares, subject to certain restrictions. If we choose to make any Monthly Redemption Amount payment in shares of common stock, the price per share is the lesser of the conversion price then in effect and 85% of the weighted average price for the ten trading days prior to the due date of the Monthly Redemption Amount.

We have not made the required Monthly Redemption Amounts and we are currently in default on these payments. We have not made required monthly redemption payments beginning on February 1, 2007 to purchasers of debentures issued in October 2006. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If we fail to make such payment in full, the purchasers have the right sell substantially all of our assets pursuant to their security interest to satisfy any such unpaid balance. The Monthly Redemption Amount is approximately $85,000 and as of March 1, 2008 we were 14 months behind . We would have to issue approximately 6,839,271 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totaling approximately $904,000 in arrears.

Critical Accounting Policies

We consider the following accounting policies to be critical given they involve estimates and judgments made by management and are important for our investors' understanding of our operating results and financial condition.

Basis of Consolidation

The consolidated financial statements contained in this report include the accounts of OXIS International, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated. On December 6, 2005, we purchased 51% of the common stock of BioCheck. In addition during the third quarter of 2007 we purchased an additional 2% of BIoCheck. This acquisition was accounted for by the purchase method of accounting according to Statement of Financial Accounting Standards, or SFAS, No. 141, "Business Combinations.

Revenue Recognition

Product Revenue

We manufacture, or have manufactured on a contract basis, research and clinical diagnostic assays and fine chemicals, which are our primary products sold to customers. Revenue from the sale of our products, including shipping fees, is recognized when title to the products is transferred to the customer which usually occurs upon shipment or delivery, depending upon the terms of the sales order and when collectibility is reasonably assured. Revenue from sales to distributors of our products is recognized, net of allowances, upon delivery of product to the distributors. According to the terms of individual distributor contracts, a distributor may return product up to a maximum amount and under certain conditions contained in its contract. Allowances are calculated based upon historical data, current economic conditions and the underlying contractual terms. Our mix of product sales are substantially at risk to market conditions and demand, which may change at any time.

License Revenue

License arrangements may consist of non-refundable upfront license fees, exclusive licensed rights to patented or patent pending technology, and various performance or sales milestones and future product royalty payments. Some of these arrangements are multiple element arrangements.

Non-refundable, up-front fees that are not contingent on any future performance by us, and require no consequential continuing involvement on our part, are recognized as revenue when the license term commences and the licensed data, technology and/or compound is delivered We defer recognition of non-refundable upfront fees if we have continuing performance obligations without which the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee that is separate and independent of our performance under the other elements of the arrangement. In addition, if we have continuing involvement through research and development services that are required because our know-how and expertise related to the technology is proprietary to us, or can only be performed by us, then such up-front fees are deferred and recognized over the period of continuing involvement.

Payments related to substantive, performance-based milestones in a research and development arrangement are recognized as revenue upon the achievement of the milestones as specified in the underlying agreements when they represent the culmination of the earnings process.

Royalty Revenue

We recognize royalty revenues from licensed products when earned in accordance with the terms of the license agreements. Net sales figures used for calculating royalties include deductions for costs of unsaleable returns, managed care chargebacks, cash discounts, freight and warehousing, and miscellaneous write-offs.

Inventories

Inventories are stated at the lower of cost to purchase and/or manufacture the inventory or the current estimated market value of the inventory. We regularly review our inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand and/or our ability to sell the products and production requirements. Demand for our products can fluctuate significantly. Factors which could affect demand for our products include unanticipated changes in consumer preferences, general market conditions or other factors, which may result in cancellations of advance orders or a reduction in the rate of reorders placed by customers and/or continued weakening of economic conditions. Additionally, our estimates of future product demand may be inaccurate, which could result in an understated or overstated provision required for excess and obsolete inventory. Our estimates are based upon our understanding of historical relationships which can change at anytime.

Long-Lived Assets

Our long-lived assets include property, plant and equipment, capitalized costs of filing patent applications and goodwill and other assets. See Notes 1, 2, 3 and 4 to the audited consolidated financial statements for the year ended December 31, 2007 included in Form 10-KSB for more detail regarding our long-lived assets. We evaluate our long-lived assets for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Estimates of future cash flows and timing of events for evaluating long-lived assets for impairment are based upon management's judgment. If any of our intangible or long-lived assets are considered to be impaired, the amount of impairment to be recognized is the excess of the carrying amount of the assets over its fair value.

Applicable long-lived assets are amortized or depreciated over the shorter of their estimated useful lives, the estimated period that the assets will generate revenue, or the statutory or contractual term in the case of patents. Estimates of useful lives and periods of expected revenue generation are reviewed periodically for appropriateness and are based upon management's judgment. Goodwill and other assets are not amortized.

Certain Expenses and Liabilities

On an ongoing basis, management evaluates its estimates related to certain expenses and accrued liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Share-Based Compensation

In December 2004, the FASB issued SFAS 123R, which replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," or APB Opinion No. 25. SFAS 123R establishes standards for the accounting for share-based payment transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant date (with limited exceptions). That cost will be recognized in the entity's financial statements over the period during which the employee is required to provide services in exchange for the award. Management implemented SFAS 123R effective January 1, 2006. Methodologies used for calculations such as the Black-Scholes option-pricing models and variables such as volatility and expected life are based upon management's judgment. Such methodologies and variables are reviewed and updated periodically for appropriateness and affect the amount of recorded charges.

Inflation

We believe that inflation has not had a material adverse impact on our business or operating results during the periods presented.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements.

Changes or Disagreements with Accountants

There were no changes in, or disagreements with, our independent registered public accounting firm during 2006 or 2007.

RISK FACTORS

Risks Related to Our Business

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. The following discussion highlights some of these risks and others are discussed elsewhere in this report.

We will need to raise additional capital to fund our general and administrative expenses, and if we are unable to raise such capital, we will have to curtail or cease operations.

We had cash and cash equivalents of $190,000 at our parent level at December 31, 2007. We cannot access the cash held by our majority-held subsidiary, BioCheck, to pay for our operating expenses at the parent level, since currently BioCheck is not our wholly-owned subsidiary. We are seeking additional debt or equity financing to obtain sufficient funds to sustain operations, including our development and commercialization programs and purchase the remaining 47% share of BioCheck that we currently do not own. We have incurred significant obligations in relation to the termination of our former president and chief executive officer. If we are unable to raise additional capital in the first half of 2008, we may have to curtail or cease operations. If we raise short term capital by incurring additional debt, we will have to obtain equity financing sufficient to repay such debt and accrued interest. Further, incurring additional debt may make it more difficult for us to successfully consummate future equity financings.

Repayment of recently issued debentures in shares and the exercise of recently issued warrants would cause substantial dilution to our stockholders and would likely to depress our stock price, making it more difficult for us to consummate future equity financings.

In our October 25, 2006 debenture financing with four accredited purchasers, we issued secured convertible debentures in an aggregate principal amount of $1,694,250. We also issued Series A, B, C, D, and E warrants to the purchasers of the debentures, which provide them the right to purchase of an aggregate of approximately 14.5 million shares of our common stock, at initial exercise prices ranging from $0.35 to $0.385 per share, subject to adjustment as provided in the warrants, including a full ratchet anti-dilution provision which will lower the exercise price in the event that we conduct a financing at a price per share below $0.35 or $0.385 per share, respectively. The Series D and E warrants are only exercisable on a pro rata basis, if the Series C warrants are exercised. The debentures were issued with an original issue discount of 20.318%, and resulted in proceeds to us of $1,350,000. The debentures are convertible, at the option of the holders, at any time into shares of common stock at $0.35 per share, as adjusted in accordance with a full ratchet anti-dilution provision (referred to in this report as the “conversion price”). Pursuant to the terms of the debentures, beginning on February 1, 2007, we began to amortize the debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date (the “Monthly Redemption Amounts”). The Monthly Redemption Amounts can be paid in cash or in shares, subject to certain restrictions. If we choose to make any Monthly Redemption Amount payment in shares of common stock, the price per share is the lesser of the conversion price then in effect and 85% of the weighted average price for the ten trading days prior to the due date of the Monthly Redemption Amount.

Due to the floating conversion price of the debentures that applies when we choose to repay the debentures in shares, we would need to issue approximately ten million shares to the holders of the debentures, assuming that stock prices remain in their recent price range. The number of shares that we may have to issue to the debenture holders could increase significantly if our stock price declines from the current price range. In addition, we would have to issue approximately five million shares if the debenture holders exercise their Series A and B warrants, an additional approximately five million shares would be issued upon exercise of their Series C warrants and finally, an additional approximately five million shares would be issued upon exercise of their Series D and E warrants pro rata subsequent to the exercise of the Series C warrants. The future potential dilution due to exercise of the above warrants could be increased if the full ratchet anti-dilution provision applicable to the exercise price of the warrants is triggered. This future potential dilution would likely depress our stock price, making it difficult for us to consummate a future equity financing.

As of March 1, 2008 we were in technical default under the October 2006 debentures, because of non-payment of the Monthly Redemption Amounts which became due beginning on February 1, 2007. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If we fail to make such payment in full, the purchasers have the right sell substantially all of our assets pursuant to their security interest to satisfy any such unpaid balance. The Monthly Redemption Amount is approximately $85,000 and as of March 1, 2008 we were 14 months behind. We would have to issue approximately 6,839,271 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totaling approximately $904,000 in arrears. We are in active negotiations with the debenture holders to amend the debentures in a manner which would remove the current status of technical default. Until final agreement is reached on such potential amendments, we cannot give any assurance that the debenture holders will continue to forbear from enforcing the terms applicable in the case of default.

If we fail to close a strategic transaction which generates sufficient capital to repay the secured debt on the October 2006 debentures, the debenture holders are likely to enforce the default provisions.

In order to repay the debentures issued in October 2006 with interest at a default rate of 18% on the monthly redemption payments we have not made since February 1, 2007 which total approximately $2.2 million as of March 1, 2008, we have engaged Burrill & Company, LLC, an investment banking and asset management firm based in San Francisco, California to explore strategic alternatives and advise us with respect to potential merger and acquisitions, partnering/licensing transactions and financing transactions which could provide us with sufficient funds to repay our secured debt and provide working capital for the company going forward. There can be no assurance that a strategic transaction can be closed on commercially reasonable terms in a timely manner which will provide sufficient capital to repay our secured debt. If we are unable to repay our secured debt before the maturity date of the debentures on October 25, 2008, the debenture holders are likely to enforce the default and seize substantially all of our assets.

Restrictions on our ability to repay the debentures in shares rather than in cash may deplete our cash resources and will require future financings to avoid default.

Under the terms of the debentures we issued in October 2006, our right to make monthly redemption payments is conditioned upon several factors. Beginning on February 1, 2007, we are obligated to amortize the debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date either in cash or in shares. The monthly redemptions, if made in cash to all debenture holders would equal approximately $85,000 per month. We may not make the monthly redemption in shares if, among other conditions, the issuance of the shares to the debenture holders would cause any debenture holder to beneficially own in excess of either 9.99% or 4.99% of our total outstanding shares at that time (depending on the particular debenture holder, either the 9.99% or the 4.99% threshold applies). One of the debenture holders currently beneficially owns approximately 9% of our total outstanding shares. In addition, we may not make monthly redemption payments to any debenture holder in shares rather than cash if the daily trading volume for our common stock does not exceed 50,000 shares per trading day for a period of twenty trading days prior to any applicable date in question beginning after April 25, 2007. If we must make all or a substantial amount of our monthly redemption payments to the debenture holders in cash rather than shares, our cash reserves will be depleted and we will have to raise substantial additional capital to avoid default of the debentures.

Raising additional capital may be necessary in order to complete our acquisition of the outstanding shares of BioCheck that we do not own, assuming we decide to do so, which constitutes 47% of BioCheck's issued and outstanding shares.

On September 19, 2005 we entered into a stock purchase agreement with BioCheck and the stockholders of BioCheck pursuant to which we undertook to purchase up to all of the outstanding shares of common stock of BioCheck for an aggregate purchase price of $6.0 million in cash. On December 6, 2005, pursuant to the terms of the stock purchase agreement with BioCheck, at the initial closing, we purchased an aggregate of fifty-one percent (51%) of the outstanding shares of common stock of BioCheck from each of the stockholders of BioCheck on a pro rata basis, for an aggregate of $3,060,000 in cash. In the third quarter of 2007 we purchased an additional 2% of BioCheck shares. Pursuant to the stock purchase agreement, we will use our reasonable best efforts to consummate a follow-on financing transaction to raise additional capital with which to purchase the remaining outstanding shares of BioCheck in one or more additional closings. The purchase price for any BioCheck shares purchased after the initial closing will be increased by an additional 8% per annum from the date of the initial closing through the date of such purchase. Under the terms of our purchase agreements with BioCheck and its stockholders, BioCheck's earnings (specifically, its earnings before interest, taxes, depreciation and amortization expenses, or EBITDA), if any, will be used to repurchase the remaining outstanding BioCheck shares at one or more additional closings. There can be no assurance that BioCheck will generate any earnings in the next several years which would be sufficient to purchase additional shares of BioCheck pursuant to the stock purchase agreement. Even if BioCheck generates earnings, there can be no assurance that such earnings would be sufficient to complete our acquisition of the remaining 47% of BioCheck's outstanding shares.

To avoid an increase in the purchase price of the remaining shares of BioCheck at the rate of 8% per annum, we would need to consummate a financing transaction to complete the acquisition of the remaining 47% of the outstanding shares of BioCheck. The successful completion of our acquisition of BioCheck in this manner is dependent upon obtaining financing on acceptable terms. No assurances can be given that we will be able to complete such a financing sufficient to undertake our acquisition of the outstanding shares of BioCheck on terms favorable to us, or at all. Any financing that we do undertake to finance the acquisition of BioCheck would likely involve dilution of our common stock if it is an equity financing, or will involve the assumption of significant debt by us. We are not contractually required to complete our acquisition of BioCheck and may choose not to do so.

We will need additional financing in order to complete our development and commercialization programs.

As of December 31, 2007, we had an accumulated deficit of approximately $69,848,000. We currently do not have sufficient capital resources to complete the development and commercialization of our antioxidant therapeutic technologies and oxidative stress assays, and no assurances can be given that we will be able to raise such capital in the future on terms favorable to us, or at all. The lack of availability of additional capital could cause us to cease or curtail our operations and/or delay or prevent the development and marketing of our potential products. In addition, we may choose to abandon certain issued United States and international patents that we consider to be of lesser importance to our strategic direction, in an effort to preserve our financial resources.

Our future capital requirements will depend on many factors including the following:

- continued scientific progress in our research and development programs and the commercialization of additional products;
- the cost of our research and development and commercialization activities and arrangements, including sales and marketing;
- the costs associated with the scale-up of manufacturing;
- the success of pre-clinical and clinical trials;
- the establishment of and changes in collaborative relationships;
- the time and costs involved in filing, prosecuting, enforcing and defending patent claims;
- the time and costs required for regulatory approvals;
- the acquisition of additional technologies or businesses;
- technological competition and market developments; and
- the cost of complying with the requirements of the Autorité des Marchés Financiers, or AMF, the French regulatory agency overseeing the Nouveau Marché in France.

We will need to raise additional capital to fund our development and commercialization programs. Our current capital resources are not sufficient to sustain operations and our development program with respect to our Ergothioneine as a nutraceutical supplement. We have granted a licensee exclusive worldwide rights, to develop, manufacture and market BXT-51072 and related compounds from our library of such antioxidant compounds. The licensee is responsible for worldwide product development programs with respect to the licensed compounds. Due to the lack of financial resources, we ceased further testing of BXT-51072 but continue to review the possibility of further developing applications for BXT-51072 and related compounds outside of the areas defined in the license. However, further development and commercialization of antioxidant therapeutic technologies, oxidative stress assays or currently unidentified opportunities, or the acquisition of additional technologies or businesses, may require additional capital. The fact that further development and commercialization of a product or technology would require us to raise additional capital, would be an important factor in our decision to engage in such further development or commercialization. No assurances can be given that we will be able to raise such funds in the future on terms favorable to us, or at all.

If we complete our acquisition of BioCheck, our business could be materially and adversely affected if we fail to adequately integrate the operations of the two companies.

If we complete the acquisition of BioCheck as planned, and we do not successfully integrate the operations of the two companies, or if the benefits of the transaction do not meet the expectations of financial or industry analysts, the market price of our common stock may decline. The acquisition could result in the use of significant amounts of cash, dilutive issuances of equity securities, or the incurrence of debt or expenses related to goodwill and other intangible assets, any of which, or all taken together, could materially adversely affect our business, operating results and financial condition.

We may not be able to successfully integrate the BioCheck business into our existing business in a timely and non-disruptive manner, or at all. In addition, the acquisition may result in, among other things, substantial charges associated with acquired in-process research and development, future write-offs of goodwill that is deemed to be impaired, restructuring charges related to consolidation of operations, charges associated with unknown or unforeseen liabilities of acquired businesses and increased general and administrative expenses. Furthermore, the acquisition may not produce revenues, earnings or business synergies that we anticipate.

In addition, in general, acquisitions such as these involve numerous risks, including:

- difficulties in assimilating the operations, technologies, products and personnel of an acquired company;
- risks of entering markets in which we have either no or limited prior experience;
- diversion of management’s attention from other business concerns; and
- potential loss of key employees of an acquired company.

The time, capital management and other resources spent on the acquisition, if it fails to meet our expectations, could cause our business and financial condition to be materially and adversely affected.

We may experience disruption or may fail to achieve any benefits in connection with the recent changes in executive management and in board membership.

During the second quarter of 2004, our former Chief Executive Officer retired, and during the third quarter of 2004 our Chief Operating and Financial Officer resigned from his position at our company. As a result, others who had limited experience within our senior management were appointed to serve as acting Chief Executive Officer, acting Chief Operating Officer and acting Chief Financial Officer. On February 28, 2005, the Board appointed Mr. Steven T. Guillen as our President and Chief Executive Officer, and as a member of our board. On January 6, 2006, we hired Michael D. Centron as our Vice President and Chief Financial Officer. On September 15, 2006, Mr. Guillen's employment as President and Chief Executive Officer was terminated, and Marvin S. Hausman, M.D. was appointed our new President and Chief Executive Officer. On November 15, 2006 Michael Centron, our Vice President and Chief Financial Officer resigned. In addition, during 2004 and early 2005, following the acquisition of a then-majority interest in our company by Axonyx, eight directors resigned from our board resulting in a four-person board. During 2005 we added independent director John E. Repine, M.D., and Gary M. Post joined our board of directors on March 15, 2006, resulting in a six-person board. Timothy C. Rodell, M.D., declined to stand for re-election at the Annual Meeting of Stockholders held on August 1, 2006. On January 11, 2007, Matthew Spolar was appointed to our board of directors. On April 12, 2007, Steve Guillen resigned from the board, and on December 20, 2007, Matthew Spolar resigned from the board. All four directors currently serving on the board commenced their service on the board during the period of 2004 through the date hereof.

One impact of such changes has been to delay our sales promotions in the research assay market and in the development of Ergothioneine market opportunities. Further, we narrowed our strategic focus to concentrate resources, including discontinuing our Animal Health Profiling program. In addition, the decreased sales at our parent company level during 2006 and 2007 are attributable to lower sales volume that was caused, in part, by the disruption arising from relocating our operations from Portland, Oregon to Foster City, California, the consolidation of our product offerings, and the lowering of sale prices for some of our products for competitive reasons. There can be no assurances that these changes will not cause further disruptions in, or otherwise adversely affect, our business and results of operations.

If we fail to attract and retain key personnel, our business could suffer.

Our future depends, in part, on our ability to attract and retain key personnel. We may not be able to hire and retain such personnel at compensation levels consistent with our existing compensation and salary structure. In 2005, we deferred the hiring of senior management personnel in order to allow our newly-engaged full time Chief Executive Officer to select such key personnel. We cannot predict whether we will be successful in finding suitable new candidates for our key management positions. On September 15, 2006, Mr. Guillen's employment as President and Chief Executive Officer was terminated, and Marvin S. Hausman, M.D. was appointed our new President and Chief Executive Officer. On November 15, 2006, Michael Centron resigned as our Vice President and Chief Financial Officer. Dr. Hausman has assumed the role of chief financial and accounting officer on an interim basis. While we have entered into an employment agreement with Dr. Hausman, he is free to terminate his employment "at will." Further, we cannot predict whether Dr. Hausman will be successful in his role as our President and Chief Executive Officer, or whether senior management personnel hires will be effective. The loss of services of executive officers or key personnel, any transitional difficulties with our new Chief Executive Officer or the inability to attract qualified personnel could have a material adverse effect on our financial condition and business. As we currently do not have a Chief Financial Officer, it is crucial that we find a qualified individual to fill that role and to oversee and certify the periodic reports we must file with the Securities and Exchange Commission. As we currently have limited cash resources, if any of our key personnel leaves, replacing them will be difficult. We do not have any key employee life insurance policies with respect to any of our executive officers.

The success of our business depends upon our ability to successfully develop and commercialize products.

We cannot assure you that our efforts to develop and commercialize a cardiac predictor product, an Ergothioneine nutraceutical product or any other products will be successful. The cost of such development and commercialization efforts can be significant and the likelihood of success of any such programs is difficult to predict. The failure to develop or commercialize such new products could be materially harmful to us and our financial condition.

Our future profitability is uncertain.

We cannot predict our ability to increase our revenues or achieve profitability. We may be required to increase our research and development expenses in order to develop potential new products. As evidenced by the substantial net losses during and 2007 and 2006, losses and expenses may increase and fluctuate from quarter to quarter. There can be no assurance that we will ever achieve profitable operations.

Our ability to successfully develop and commercialize our nutraceutical or clinical diagnostic product candidates, and make them available for sale, is uncertain.

All of our nutraceutical and clinical diagnostic candidates are at an early stage of development and all of such nutraceutical and clinical diagnostic candidates will require expensive and lengthy testing and regulatory clearances. None of our nutracutical or clinical diagnostic candidates have been approved by regulatory authorities. We may not be able to make many of our product candidates commercially available for several years, if at all. There are many reasons we may fail in our efforts to develop our nutraceutical and clinical diagnostic candidates, including:

- our nutraceutical and clinical diagnostic candidates may be ineffective, toxic or may not receive regulatory clearances,
- our nutraceutical and clinical diagnostic candidates may be too expensive to manufacture or market or may not achieve broad market acceptance,
- third parties may hold proprietary rights that may preclude us from developing or marketing our nutraceutical and clinical diagnostic candidates, or
- third parties may market equivalent or superior products.

Clinical development is inherently uncertain and expense levels may fluctuate unexpectedly because we cannot accurately predict the timing and level of such expenses.

Our future success may depend in part upon the results of clinical trials undertaken by us or our licensees designed to assess the safety and efficacy of our potential products. We do not have substantial experience in developing and running clinical trials. The completion of clinical trials often depends significantly upon the rate of patient enrollment, and our expense levels will vary depending upon the rate of enrollment. In addition, the length of time necessary to complete clinical trials and submit an application for marketing and manufacturing approvals varies significantly and is difficult to predict. The expenses associated with each phase of development depend upon the design of the trial. The design of each phase of trials depends in part upon results of prior phases, and additional trials may be needed at each phase. As a result, the expense associated with future phases cannot be predicted in advance. Further, if we undertake clinical trials, we may decide to terminate or suspend ongoing trials. Failure to comply with extensive FDA regulations may result in unanticipated delay, suspension or cancellation of a trial or the FDA's refusal to accept test results. The FDA may also suspend our clinical trials at any time if it concludes that the participants are being exposed to unacceptable risks. As a result of these factors, we cannot predict the actual expenses that we will incur with respect to clinical trials for any of our potential products, and we expect that our expense levels will fluctuate unexpectedly in the future.

Competition in most of our primary current and potential market areas is intense and expected to increase.

The diagnostic, pharmaceutical and nutraceutical industries are highly competitive. The main commercial competition at present in our research assay business is represented by, but not limited to, the following companies: Cayman Chemical Company, Assay Designs and Randox Laboratories Ltd. In addition, our competitors and potential competitors include large pharmaceutical/nutraceutical companies, universities and research institutions. Compared to us, these competitors may have substantially greater capital resources, research and development staffs, facilities, as well as greater expertise manufacturing and making products. In addition, these companies, as well as others, may have or may develop new technologies or use existing technologies that are, or may in the future be, the basis for competitive products. There can be no assurance that we can compete successfully.

In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing the ability of their products to address the needs of our current and prospective customers. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Such competition could materially adversely affect our ability to commercialize existing technologies or new technologies on terms favorable to us. Further, competitive pressures could require us to reduce the price of our products and technologies, which could materially adversely affect our business, operating results and financial condition. We may not be able to compete successfully against current and future competitors and any failure to do so would have a material adverse effect upon our business, operating results and financial condition.

TorreyPines Therapeutics, Inc. holds significant stockholder voting power, and may be in a position to influence matters affecting us.

TorreyPines Therapeutics, Inc. or TorreyPines, which merged with Axonyx Inc. in October 2006, currently owns approximately 30% of our issued and outstanding stock. Given these circumstances, TorreyPines may influence our business direction and policies, and, thus, may have the ability to control certain material decisions affecting us. In addition, such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders. Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years unless the transaction meets certain conditions. Section 203 also limits the extent to which an interested stockholder can receive benefits from our assets. These provisions could complicate or prohibit certain transactions (including a financing transaction between us and TorreyPines), or limit the price that other investors might be willing to pay in the future for shares of our common stock.

If we are unable to develop and maintain alliances with collaborative partners, we may have difficulty developing and selling our products and services.

Our ability to realize significant revenues from new products and technologies is dependent upon, among other things, our success in developing business alliances and licensing arrangements with nutraceutical, biopharmaceutical and/or health related companies to develop and market these products. To date, we have had limited success in establishing foundations for such business alliances and licensing arrangements and there can be no assurance that our efforts will result in the development of mature relationships or that any such relationships will be successful. Further, relying on these or other alliances is risky to our future success because:

- our partners may develop products or technologies competitive with our products and technologies;
- our partners may not devote sufficient resources to the development and sale of our products and technologies;
- our collaborations may be unsuccessful; or
- we may not be able to negotiate future alliances on acceptable terms.

Our revenues and quarterly results have fluctuated historically and may continue to fluctuate, which could cause our stock price to decrease.

Our revenues and operating results may fluctuate due in part to factors that are beyond our control and which we cannot predict. Material shortfalls in revenues will materially adversely affect our results and may cause us to experience losses. In particular, our revenue growth and profitability depend on sales of our research assays and fine chemicals. Factors that could cause sales for these products and other products to fluctuate include:

- an inability to produce products in sufficient quantities and with appropriate quality;
- an inability to obtain sufficient raw materials;
- the loss of or reduction in orders from key customers;
- variable or decreased demand from our customers;
- the receipt of relatively large orders with short lead times;
- our customers' expectations as to how long it takes us to fill future orders;
- customers' budgetary constraints and internal acceptance review procedures;
- there may be only a limited number of customers that are willing to purchase our research assays and fine chemicals;
- a long sales cycle that involves substantial human and capital resources; and
- potential downturns in general or in industry specific economic conditions.

Each of these factors has impacted, and may in the future impact, the demand for and availability of our products and our quarterly operating results.

If the sales or development cycles for research assays and fine chemicals lengthen unexpectedly, our revenues may decline or not grow as anticipated and our results from operations may be harmed.

Changes in accounting standards regarding stock option plans could increase our reported losses, cause our stock price to decline and limit the desirability of granting stock options.

In December 2004, the FASB issued SFAS 123R. SFAS 123R replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS 123R establishes standards for the accounting for share-based payment transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant date (with limited exceptions). That cost will be recognized in the entity's financial statements over the period during which the employee is required to provide services in exchange for the award. Management implemented SFAS 123R effective January 1, 2006. Expensing such stock options will add to our losses or reduce our profits, if any. In addition, stock options are an important employee recruitment and retention tool, and we may not be able to attract and retain key personnel if we reduce the scope of our employee stock option program.

Our income may suffer if we receive relatively large orders with short lead times, or our manufacturing capacity does not otherwise match our demand.

Because we cannot immediately adapt our production capacity and related cost structures to rapidly changing market conditions, when demand does not meet our expectations, our manufacturing capacity will likely exceed our production requirements. Fixed costs associated with excess manufacturing capacity could adversely affect our income. Similarly, if we receive relatively large orders with short lead times, we may not be able to increase our manufacturing capacity to meet product demand, and, accordingly, we will not be able to fulfill orders in a timely manner. During a market upturn, we may not be able to purchase sufficient supplies to meet increasing product demand. In addition, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. These factors could materially and adversely affect our results.

Our success will require that we establish a strong intellectual property position and that we can defend ourselves against intellectual property claims from others.

Maintaining a strong patent position is important to us in order to establish and maintain a competitive advantage. Litigation on patent-related matters has been prevalent in our industry and we expect that this will continue. Patent law relating to the scope of claims in the technology fields in which we operate is still evolving and the extent of future protection is highly uncertain, so there can be no assurance that the patent rights we have or may obtain will be valuable. Others may have filed, or may in the future file, patent applications that are similar or identical to ours. To determine the priority of inventions, we may have to participate in interference proceedings declared by the United States Patent and Trademark Office that could result in substantial costs in legal fees and could substantially affect the scope of our patent protection. We cannot assure investors that any such patent applications will not have priority over our patent applications. Further, we may choose to abandon certain issued United States and international patents that we consider to be of lesser importance to our strategic direction, in an effort to preserve our financial resources. Abandonment of patents could substantially affect the scope of our patent protection. In addition, we may in future periods incur substantial costs in litigation to defend against patent suits brought by third parties or if we initiate such suits.

In addition to patent protection, we also rely upon trade secret protection for our confidential and proprietary information. There can be no assurance, however, that such measures will provide adequate protection for our trade secrets or other proprietary information. In addition, there can be no assurance that trade secrets and other proprietary information will not be disclosed, that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to or disclose our trade secrets and other proprietary information. If we cannot obtain, maintain or enforce our intellectual property rights, competitors may seize the opportunity to design and commercialize competing technologies.

We may face challenges from third parties regarding the validity of our patents and proprietary rights, or from third parties asserting that we are infringing their patents or proprietary rights, which could result in litigation that would be costly to defend and could deprive us of valuable rights.

Extensive litigation regarding patents and other intellectual property rights has been common in the biotechnology and pharmaceutical industries. The defense and prosecution of intellectual property suits, United States Patent and Trademark Office interference proceedings, and related legal and administrative proceedings in the United States and internationally involve complex legal and factual questions. As a result, such proceedings are costly and time-consuming to pursue and their outcome is uncertain. Litigation may be necessary to:

- enforce patents that we own or license;
- protect trade secrets or know-how that we own or license; or
- determine the enforceability, scope and validity of the proprietary rights of others.

Our involvement in any litigation, interference or other administrative proceedings could cause us to incur substantial expense and could significantly divert the efforts of our technical and management personnel. An adverse determination may subject us to loss of our proprietary position or to significant liabilities, or require us to seek licenses that may not be available from third parties. An adverse determination in a judicial or administrative proceeding, or a failure to obtain necessary licenses, may restrict or prevent us from manufacturing and selling our products. Costs associated with these arrangements may be substantial and may include ongoing royalties. Furthermore, we may not be able to obtain the necessary licenses on satisfactory terms, if at all. These outcomes could materially harm our business, financial condition and results of operations.

We may be exposed to liability due to product defects.

The risk of product liability claims is inherent in the testing, manufacturing, marketing and sale of our products. We may seek to acquire additional insurance for liability risks. We may not be able to obtain such insurance or general product liability insurance on acceptable terms or in sufficient amounts. A product liability claim or recall could have a serious adverse effect on our business, financial condition and results of operations.

Disclosure controls are no assurance that the objectives of the control system are met.

Although we have an extensive operating history, resources are limited for the development and maintenance of our control environment. We have a very limited number of personnel and therefore segregation of duties can be somewhat limited as to their scope and effectiveness. We believe, however, that we are in reasonable compliance with the best practices given the environment in which we operate. Although existing controls in place are deemed appropriate for the prevention, detection and minimization of fraud, theft and errors, they may result in only limited assurances, at best, that the total objectives of the control system are met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, can be detected and/or prevented and as such this is a risk area for investors to consider.

Risks Related to Our Common Stock

Our common stock is traded on the OTCBB, our stock price is highly volatile, and you may not be able to sell your shares of our common stock at a price greater than or equal to the price you paid for such shares.

Our shares of common stock are currently traded on the Over the Counter Bulletin Board, or OTCBB. Stocks traded on the OTCBB generally have limited trading volume and exhibit a wide spread between bid and ask quotations. The market price of our common stock is extremely volatile. To demonstrate the volatility of our stock price, during 2007, the volume of our common stock traded on any given day ranged from 0 to 236,000 shares. Moreover, during that period, our common stock traded as low as $0.07 per share and as high as $0.29 per share, a 314% difference. This may impact an investor's decision to buy or sell our common stock. As of December 31, 2007 there were approximately 3,500 holders of our common stock. Factors affecting our stock price include:

- our financial results;
- fluctuations in our operating results;
- announcements of technological innovations or new commercial health care products or therapeutic products by us or our competitors;
- government regulation;
- developments in patents or other intellectual property rights;
- developments in our relationships with customers and potential customers; and
- general market conditions.

Furthermore, volatility in the stock price of other companies has often led to securities class action litigation against those companies. Any such securities litigation against us could result in substantial costs and divert management's attention and resources, which could seriously harm our business and financial condition.

Our common stock may be subject to "penny stock" rules which may be detrimental to investors.

Our common stock may be, or may become, subject to the regulations promulgated by the SEC for "penny stock." SEC regulation relating to penny stock is presently evolving, and the OTCBB may react to such evolving regulation in a way that adversely affects the market liquidity of our common stock. Penny stock currently includes any non-NASDAQ equity security that has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule set forth by the SEC relating to the penny stock market must be delivered to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for the common stock. The regulations also require that monthly statements be sent to holders of penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements may adversely affect the market liquidity of our common stock.

Sales of our common stock may require broker-dealers to make special suitability determinations regarding prospective purchasers.

Our common stock may be, or may become, subject to Rule 15g-1 through 15g-9 under the Exchange Act, which imposes certain sales practice requirements on broker-dealers which sell our common stock to persons other than established customers and "accredited investors" (generally, individuals with a net worth in excess of $1,000,000 or an annual income exceeding $200,000 (or $300,000 together with their spouses)). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. Applicability of this rule would adversely affect the ability of broker-dealers to sell our common stock and purchasers of our common stock to sell their shares of such common stock. Accordingly, the market for our common stock may be limited and the value negatively impacted.

We will incur expenses in connection with registration of our shares which may be significant.

We are required to pay fees and expenses incident to the registration with the SEC of the shares issued in the private placements of equity which closed on January 6, 2005 and October 25, 2006 and maintain adequate disclosure in connection with such registration, including updating prospectuses and under certain circumstances, filing amended registration statements. These expenses were approximately $21,000 in 2006 and $39,000 in 2007, and we may incur significant additional expenses in the future related to maintaining effective registration statements for prior financings and any additional registrations related to future financings. We have also agreed to indemnify such selling security holders against losses, claims, damages and liabilities arising out of relating to any misstatements or omissions in our registration statement and related prospectuses, including liabilities under the Securities Act. In the event such a claim is made in the future, such losses, claims, damages and liabilities arising therefrom could be significant in relation to our revenues.

A large number of additional shares may be sold into the public market in the near future, which may cause the market price of our common stock to decline significantly, even if our business is successful.

Sales of a substantial amount of common stock in the public market, or the perception that these sales may occur, could adversely affect the market price of our common stock. After our October 25, 2006 debenture and warrant financing, and assuming the full conversion of the debentures and full exercise of the Series A, B, C, D and E warrants for the maximum number of shares for which such warrants are exercisable, we would have approximately 64 million shares of common stock outstanding (assuming no other issuances of common stock). Upon full issuance of these shares of common stock upon conversion of the debentures and exercise of the warrants, the market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them.

A large number of common shares are issuable upon exercise of outstanding common share options and warrants and upon conversion of our outstanding debentures. The exercise or conversion of these securities could result in the substantial dilution of your investment in terms of your percentage ownership in OXIS as well as the book value of your common shares. The sale of a large amount of common shares received upon exercise of these options and warrants on the public market to finance the exercise price or to pay associated income taxes, or the perception that such sales could occur, could substantially depress the prevailing market prices for our shares.

As of December 31, 2007, we had a total of 31,562,895 outstanding warrants and 5,280,272 outstanding options to purchase our common stock. These include warrants entitling the debenture holders to purchase up to a maximum of 9,681,429 common shares at an exercise price of $0.35 per share and a maximum of 2,420,357 common shares at an exercise price of $0.385 per share. There are also debentures outstanding which are convertible into a maximum of 4,840,740 common shares at a conversion price per common share of $0.35 per common share. Further, we have relied heavily on option and warrant grants as an alternative to cash as a means of compensating our officers, advisors and consultants. In 2006, we issued options and warrants to officers, director and consultants for the purchase of approximately 4.4 million shares of our common stock, with exercise prices ranging from $0.18 to $0.39 per share. In 2007, we issued options to employees and directors for the purchase of 80,000 shares of our common stock, with exercise prices ranging from $0.10 to $0.22. The exercise price for all of the aforesaid options and warrants may be less than your cost to acquire our common shares. In the event of the exercise and/or conversion of these securities, you could suffer substantial dilution of your investment in terms of your percentage ownership in the company as well as the book value of your common shares. In addition, the holders of the options and warrants may sell underlying common shares in tandem with their exercise of those warrants to finance that exercise, or may resell the shares purchased in order to cover any income tax liabilities that may arise from their exercise of the options and warrants.

If we fail to maintain the adequacy of our internal controls, our ability to provide accurate financial statements and comply with the requirements of the Sarbanes-Oxley Act of 2002 could be impaired, which could cause our stock price to decrease substantially.

We are continuing to take measures to address and improve our financial reporting and compliance capabilities and we are in the process of instituting changes to satisfy our obligations in connection with being a public company. We plan to obtain additional financial and accounting resources to support and enhance our ability to meet the requirements of being a public company. We will need to continue to improve our financial and managerial controls, reporting systems and procedures, and documentation thereof. If our financial and managerial controls, reporting systems or procedures fail, we may not be able to provide accurate financial statements on a timely basis or comply with the Sarbanes-Oxley Act of 2002 as it applies to us. Any failure of our internal controls or our ability to provide accurate financial statements could cause the trading price of our common stock to decrease substantially.

Our common shares are thinly traded and, if you are a holder of debentures, you may be unable to sell at or near ask prices or at all if you need to convert your debentures into common stock and sell your shares to raise money or otherwise desire to liquidate such shares.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained. Our common shares have historically been sporadically or "thinly-traded" on the "Over-The-Counter Bulletin Board," meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

The market price for our common stock is particularly volatile given our status as a relatively small company with a small and thinly traded "float" and lack of current revenues that could lead to wide fluctuations in our share price. The price at which you convert your debentures into our common stock many be indicative of the price that will prevail in the trading market. You may be unable to sell your common stock at or above your purchase price if at all, which may result in substantial losses to you.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, as noted above, our common shares are sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by its shareholders may disproportionately influence the price of those shares in either direction. The price for its shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Secondly, an investment in us is a speculative or "risky" investment due to our lack of revenues or profits to date and uncertainty of future market acceptance for current and potential products. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer.

Investors should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

We do not anticipate paying any cash dividends.

We presently do not anticipate that we will pay any dividends on any of our capital stock in the foreseeable future. The payment of dividends, if any, would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any dividends will be within the discretion of our board of directors. We presently intend to retain all earnings, if any, to implement our business plan; accordingly, we do not anticipate the declaration of any dividends in the foreseeable future.

ITEM 7. FINANCIAL STATEMENTS

The Audited Financial Statements for this Form 10-KSB appear on pages F-1 through F-30 following the signature page below.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 8A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management, including our principal executive officer and our principal financial officer, has evaluated the effectiveness of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934, as amended), as of December 31, 2007. As described below in the Management's Report on Internal Control over Financial Reporting, management has reported material weaknesses in the internal control over financial reporting as of December 31, 2007. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were not effective as of December 31, 2007 due to the reported material weakness.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2007 using criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* and *Internal Control over Financial Reporting-Guidance for Smaller Public Companies.* In the course of the assessment, material weaknesses were identified in the Company's internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Ineffective Control Environment. Fundamental elements of an effective control environment were missing or inadequate as of December 31, 2007. Through a Code of Ethics or Code of Conduct, individuals at the highest levels of the organization have not established, documented, and communicated effectively and with appropriate rigor the organization's commitment to ethical and acceptable business conduct. In addition, the Audit Committee has not established a whistleblower mechanism for the confidential, anonymous submission by employees of concerns related to questionable accounting, auditing, or ethics-related matters. As a result of the lack of a formal anonymous avenue of communication for employee concerns, matters may not be communicated to the appropriate levels of management or the Board of Directors.

Inadequate Procedures for Intangible Impairment Evaluation. Management has not established and implemented accounting policies and procedures for the periodic evaluation for impairment of intangible assets such as goodwill and patents. As a result, impairment testing of the company's intangible assets was not performed by management prior to the commencement of the audit of the financial statements.

Based on the material weaknesses identified above, management has concluded that internal control over financial reporting was not effective as of December 31, 2007.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

We intend to remedy the material weaknesses identified above as soon as practicable, including developing and implementing a code of conduct or ethics, establishing a whistleblower mechanism, and developing and implementing appropriate accounting policies and procedures for intangible asset impairment evaluation.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following table sets forth certain information with respect to each of our directors and executive officers as of April 4, 2008.

Name	Age	Principal Occupation	Served as Director Since
Marvin S. Hausman, M.D. (2)	66	President, Chief Executive Officer, Acting Chief Financial Officer and Chairman of the Board	2004
S. Colin Neill (1) (3)	61	Secretary, Director	2004
John E. Repine, M.D. (1)(3)	63	Director	2005
Gary M. Post (1)(4)	59	Chief Operating Officer, Director	2006

(1) Member of the Audit Committee.
(2) Appointed President and Chief Executive Officer on September 15, 2006. Member of the Compensation Committee. In addition, on November 15, 2006, following the resignation of Michael Centron as our Vice President and Chief Financial Officer, Dr. Hausman has assumed the role of chief financial and accounting officer on an interim basis.
(3) Member of the Nominating Committee.
(4) Appointed Chief Operating Officer on September 24, 2007.

Marvin S. Hausman, M.D., President, Chief Executive Officer, Acting Principal Accounting and Financial Officer and Chairman of the Board. Dr. Hausman was appointed to the board of directors on August 20, 2004. Previously, Dr. Hausman served on the board of directors from March 2002 to November 2003. On December 10, 2004, the board of directors appointed Marvin S. Hausman, M.D. to serve as Chairman of the Board, Acting Chief Executive Officer and Acting Chief Financial Officer of OXIS. On February 28, 2005, Dr. Hausman ceased to be the Company's Chief Executive Officer. On September 15, 2006, Dr. Hausman was appointed to serve as President and Chief Executive Officer by the board of directors. Dr. Hausman served as a director and as Chairman of the Board of Axonyx from 1997 until the merger of Axonyx into TorreyPines Therapeutics in October 2006, and had served as President and Chief Executive Officer of Axonyx from 1997 until September 2003 and March 2005, respectively. Dr. Hausman served as our Acting Chief Financial Officer until January 6, 2006 when Michael D. Centron was appointed as our Chief Financial Officer and again assumed the role of Acting Principal Accounting and Financial Officer in November 2006, following Mr. Centron's resignation. Dr. Hausman currently owns approximately 9.9% of the outstanding common stock of OXIS, and Torrey Pines Therapeutics currently owns approximately 30% of the outstanding common stock of OXIS. Dr. Hausman was a co-founder of Medco Research Inc., a pharmaceutical biotechnology company specializing in adenosine products which was subsequently acquired by King Pharmaceuticals. He has thirty years' experience in drug development and clinical care. Dr. Hausman received his medical degree from New York University School of Medicine in 1967 and has done residencies in General Surgery at Mt. Sinai Hospital in New York, and in Urological Surgery at U.C.L.A. Medical Center in Los Angeles. He also worked as a Research Associate at the National Institutes of Health, Bethesda, Maryland. He has been a Lecturer, Clinical Instructor and Attending Surgeon at the U.C.L.A. Medical Center Division of Urology and Cedars-Sinai Medical Center, Los Angeles. He has been a Consultant on Clinical/Pharmaceutical Research to various pharmaceutical companies, including Bristol-Meyers International, Mead-Johnson Pharmaceutical Company, Medco Research, Inc., and E.R. Squibb.

Since October 1995, Dr. Hausman has been the President of Northwest Medical Research Partners, Inc., a medical technology and transfer company. He was a member of the board of directors of Medco Research, Inc. from inception (1978) through 1992 and from May 1996 to July 1998. Dr. Hausman was a member of the board of directors of Regent Assisted Living, Inc., a company specializing in building assisted living centers including care of senile dementia residents, from March 1996 to April 2001.

S. Colin Neill, Secretary and Director. Mr. Neill was appointed to the board of directors in April 2004. He has served as Secretary of OXIS since January 2005. Mr.Neill became President of Pharmos in January 2008, and has served as Chief Financial Officer, Secretary, and Treasurer of Pharmos since October 2006. Prior to becoming President, he also served as Senior Vice President from October 2006 to January 2008. From September 2003 to October 2006, Mr. Neill served as Chief Financial Officer, Treasurer and Secretary of Axonyx Inc., a biopharmaceutical company that develops products and technologies to treat Alzheimer's disease and other central nervous system disorders, where he played an integral role in the merger between Axonyx and TorreyPines Therapeutics Inc., a privately-held biopharmaceutical company. Mr. Neill served as Senior Vice President, Chief Financial Officer, Secretary and Treasurer of ClinTrials Research Inc., a $100 million publicly traded global contract research organization in the drug development business, from 1998 to its successful sale in 2001. Following that sale from April 2001 to September 2003 Mr. Neill served as an independent consultant assisting small start-up and development stage companies in raising capital. Earlier experience was gained as Vice President Finance and Chief Financial Officer of BTR Inc., a $3.5 billion US subsidiary of BTR plc, a British diversified manufacturing company, and Vice President Financial Services of The BOC Group Inc., a $2.5 billion British owned industrial gas company with substantial operations in the health care field. Mr. Neill served four years with American Express Travel Related Services, first as chief internal auditor for worldwide operations and then as head of business planning and financial analysis. Mr. Neill began his career in public accounting with Arthur Andersen LLP in Ireland and later with Price Waterhouse LLP as a senior manager in New York City. He also served with Price Waterhouse for two years in Paris, France. Mr. Neill graduated from Trinity College, Dublin with a first class honors degree in Business/Economics and he holds a masters degree in Accounting and Finance from the London School of Economics. He is a Certified Public Accountant in New York State and a Chartered Accountant in Ireland. Mr. Neill serves on the board of Pro Pharmaceuticals, Inc.

Gary M. Post, Chief Operating Officer and Director. Mr. Post has served as a director of OXIS since March 15, 2006 and currently, though an advisory agreement, serves part-time as Chief Operating Officer. Since 1999 Mr. Post has been the Managing Director and Investment Principal of Ambient Advisors, LLC. Ambient Advisors primarily invests its own and its partners' capital in private and public companies with a particular interest in the health care and life sciences sector and certain other special situations. Ambient Advisors also actively advises these companies, sometimes taking interim management roles. In his capacity as Managing Director at Ambient Advisors, Mr. Post has acted as an interim Chief Executive Officer in two private early to mid stage companies that Ambient had invested in, Opticon Medical, Inc., a medical device company and OccMeds Billing Services, Inc., a worker's compensation pharmacy payment processing company. Mr. Post also served as a President and CEO of VoIP, Inc., a leading provider of Voice over Internet Protocol (VoIP) communications solutions for service providers, resellers and consumers during 2006 and continues as a member of the VoIP, Inc. Board of Directors. Mr. Post holds a MBA from the U.C.L.A. Graduate School of Management and an A.B. in Economics from Stanford University.

John E. Repine, M.D., Director. Dr. Repine has served as a director of OXIS since October 2005. Since 1996, Dr. Repine has been the James J. Waring Professor of Medicine and Pediatrics at the University of Colorado Health Sciences Center. Since 1993, Dr. Repine has been the Chief Executive Officer and President of the Webb-Waring Institute for Cancer, Aging and Antioxidant Research. Dr. Repine graduated from the School of Medicine and completed training in internal medicine and pulmonary medicine at the University of Minnesota. Dr. Repine has received many national awards for his research including an Established Investigator Award from the American Heart Association, the Alton Ochsner Award Relating Smoking and Health and the Senior Scholar in Aging Award from the Ellison Medical Foundation. Dr. Repine was the Principal Investigator for 10 years for one of six National Specialized Centers of Research (SCOR) of the National Institutes of Health for the Study of Acute Lung Injury. Dr. Repine is a recognized expert in the study of vascular disorders, inflammation, oxidants and antioxidants. Dr. Repine has served in various capacities with a number of biotechnology companies.

There are no family relationships between the officers and directors.

On March 8, 2007, we entered into a Confidential Separation Agreement (dated February 12, 2007) with Steven T. Guillen, our former chief executive officer, under which we agreed to pay Mr. Guillen the sum of $250,000 in twelve equal monthly installments, subject to standard payroll deductions and withholdings. We also agreed that Mr. Guillen's stock options would immediately vest, and that to the extent the shares underlying such options are not registered, Mr. Guillen would be granted piggyback registration rights to cover these shares. Mr. Guillen would have the right to exercise his options until February of 2010. We also agreed to pay Mr. Guillen's health insurance premiums for the twelve-month separation period in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985. In exchange for these payments and benefits, Mr. Guillen and OXIS agreed to mutually release all claims, dismiss all complaints as applicable, and neither party shall pursue any future claims regarding Mr. Guillen's prior employment and compensation arrangements with us. A copy of the separation agreement is included as Exhibit 10.43 to this annual report on Form 10-KSB.

None of our directors, officers or affiliates, and no owner of record or beneficial owner of more than five percent (5%) of our securities, or any associate of any such director, officer or security holder is a party adverse to OXIS or any of its subsidiaries or has a material interest adverse to OXIS or any of its subsidiaries in reference to pending litigation**.**

Section 16(a) Beneficial Ownership Reporting Compliance

No director, officer or beneficial owner of more than 10% of any class of our equity securities failed to file a Form 3 or Form 4 on a timely basis in 2007.

Code of Ethics

The Board of Directors has adopted a Code of Ethics and Business Conduct to provide guidance to its directors, officers and employees regarding standards for conduct of the Company's business, which code has been delivered to all directors, officers and employees of the Company. The full text of our Code of Ethics and Business Conduct is available on our website at www.oxis.com. To the extent required by law, any amendments to, or waivers from, any provision of the code of ethics will promptly be disclosed to the public. To the extent permitted by such legal requirements, we intend to make such public disclosure by posting the relevant material on our website in accordance with SEC rules.

Audit Committee and Audit Committee Financial Expert

We are not a "listed company" under SEC rules and are therefore not required to have an audit committee comprised of independent directors. We do, however, have an audit committee consisting of three members of our board of directors, including S. Colin Neill, John E. Repine, M.D., and Gary M. Post. The board of directors has determined that S. Colin Neill, the Chairman of our Audit Committee, qualifies as an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission. In addition, the board of directors has determined that each of the members of the audit committee is able to read and understand fundamental financial statements and has substantial business experience that results in that member's financial sophistication. Accordingly, the board of directors believes that each member of the audit committee has sufficient knowledge and experience necessary to fulfill such member's duties and obligations as an audit committee member.

ITEM 10. EXECUTIVE COMPENSATION

Our compensation and benefits program is designed to attract, retain and motivate employees to operate and manage our company for the best interests of its constituents. Executive compensation is designed to provide incentives for those senior members of management who bear responsibility for our goals and achievements. The compensation philosophy is based on a base salary, bonuses and a stock option program.

The following table sets forth compensation information for services rendered to us by one of our executive officers (our company's "Named Executive Officer") in all capacities, other than as directors, during each of the prior two fiscal years. Other than as set forth below, no executive officer's salary and bonus exceeded $100,000 in our fiscal year ending December 31, 2007. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any. Shares issued in lieu of compensation are listed in the year the salary was due.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option/ Warrant Awards (1)	Non-Equity Incentive Plan Compen-sation	All Other Compensation	Total
Dr. Marvin S. Hausman (2)	2007	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Chairman of the Board, Chief Executive Officer Acting Chief Financial Officer	2006	$ 52,083 (3)	$ —	$ 164,977 (3)	$ 208,870	$ —	$ —	$ 425,930

(1) Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires the company to determine the overall value of the options as of the date of grant based upon the Black Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). As a general rule, for time in service based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option.

(2) Dr. Hausman served as Acting Chief Executive Officer from December 8, 2004 to February 28, 2005 and as Acting Chief Financial Officer from December 8, 2004 until January 6, 2006. On September 15, 2006, Dr. Hausman was appointed as Chairman of the board of directors, President and Chief Executive Officer and Acting Chief Financial Officer.

(3) Dr. Hausman was issued 330,769 shares of common stock on October 12, 2006, as payment for compensation and expenses owed by us to NW Medical Research Partners, Inc., of which Dr. Hausman is the sole member and manager. The amount owed was $67,477, and the shares were valued at approximately $0.204 per share, and are not subject to repurchase. Also includes dollar amount expensed by the company during 2006 for financial statement reporting purposes pursuant for FAS 123R in connection with a grant to Dr. Hausman of 500,000 restricted shares of common stock vesting over a 180 day period, for agreeing to serve as our Chief Executive Officer and President.

Additional Narrative Disclosure

Dr. Hausman and Gary M. Post, our COO, have opted under their respective employment and advisory agreements not to receive quarterly issuances of shares and warrants as compensation pursuant to those agreements, but will receive cash compensation in an amount up to $200,000 each upon the closing of a strategic transaction involving proceeds of at least $1.5 million to OXIS, which cash payment would be credited against their accrued salaries under their respective agreements.

Employment Agreements

On November 6, 2006, we entered into an employment agreement with Dr. Hausman that commenced retroactively at October 15, 2006, referred to as the commencement date. Under the terms of our agreement:

- Dr. Hausman will serve as our President and Chief Executive Officer for a three year term from the commencement date of his employment, and after this period, on a year-to-year basis;
- Dr. Hausman will receive annual compensation in the amount of $250,000, payable quarterly in advance in cash, common stock based on a price equal to 85% of average of the five closing prices for the five trading days prior to the date that the issuance is authorized by the board of directors, or in ten year warrants equal to that number of warrants equal to 1.5 times the number of shares that would otherwise be received;
- For the initial quarterly payment, Dr. Hausman was issued 347,222 restricted shares of common stock;

- During the three year term of the agreement, Dr. Hausman will receive an annual bonus based upon the attainment of agreed upon goals and milestones as determined by the board of directors and its compensation committee;
- During the remainder of calendar year 2006, Dr. Hausman's bonus will be pro rated on an annual bonus rate in the range of 25% to 50% of his base salary, and the bonus for subsequent years of the term of the agreement will be in a similar target range;
- The bonuses payable will be paid in cash, although at Dr. Hausman's sole option, they may be paid in stock (or in the form of ten year warrants with cashless exercise provisions, with 1.5 times the number of warrant shares to be issued in lieu of the number of shares of common stock), based upon the average of the closing bid and asked prices for the 5 trading days immediately prior to the awarding to Dr. Hausman of the bonus for a particular year;
- Once we have raised at least $2.5 million in one or more financings (equity, debt or convertible debt, in addition to the financing closed on October 25, 2006) or in a strategic transaction, Dr. Hausman may elect, at any time, in lieu of receiving a quarterly issuance of stock (or warrants in lieu thereof), to receive his base salary in cash, payable monthly on our regular pay cycle for professional employees;
- As part of his compensation, we granted Dr. Hausman a ten year a non-qualified option to purchase 495,000 shares of our common stock at an exercise price of $0.20 per share, vesting as follows: (i) 247,500 option shares vesting in four equal quarterly installments commencing on January 15, 2007 and every three months thereafter and (ii) and the remaining 247,500 option shares vesting in eight quarterly installments over two years;
- Additionally, we granted Dr. Hausman, as a sign on bonus, 500,000 restricted shares of common stock and a ten year common stock purchase warrant to purchase 1,505,000 shares at an exercise price of $0.20 per share, with vesting in six equal installments, commencing on November 14, 2006, through the 180th day after the Commencement Date;
- We are providing Dr. Hausman with an annual office expense allowance of $50,000, for the costs of maintaining an office in the Stevenson, Washington area, payable quarterly in advance in the form of common stock, at a price equal to 85% of the market price;
- For the first installment, representing $12,500 of the above office expense allowance, Dr. Hausman was issued 69,444 restricted shares of common stock;
- Once we have completed a qualifying financing, the above office expense allowance will be paid in cash in advance, commencing for the quarter next following the quarter in which the Qualifying Financing occurred.
- Additionally, Dr. Hausman will receive family health and dental insurance benefits and short-term and long-term disability policies;
- Upon termination for cause, all compensation due to Dr. Hausman under the agreement will cease, other than a right to participate in continued group health insurance for a certain period of time (this applies to all terminations, except if Dr, Hausman terminates without good reason) and any unexercised portions of his stock options shall expire upon such termination;

- In the event that we terminate Dr. Hausman's employment within one year of a change of control, Dr. Hausman shall receive an amount equal to twelve months of his base salary for the then current term of the agreement (which is in addition to the base salary paid to Dr. Hausman after our delivery of notice of termination and the actual date of termination) plus an amount equal to his bonus in the prior year (and if occurring before the determination of the 2007 bonus, an amount equal to 50% of the then current base salary), and the full vesting of Dr. Hausman's stock options, and extended exercisability of the options until their respective expiration dates.

- In the event that we terminate our relationship with Dr. Hausman, including a non-renewal of the agreement by us, but other than upon a change of control, death, disability or cause, Dr. Hausman shall receive the following: (i) if employment was terminated during the calendar year 2006, an amount equal to six months of the then current base salary; if employment was terminated commencing in the calendar year 2007 or if we elect not to renew the agreement, an amount equal to twelve months of base salary for the then current term of the agreement plus an amount equal to the prior year's bonus (and if occurring before the bonus for 2007 has been determined, an amount equal to 50% of the then current base salary); (ii) if employment was terminated during the calendar year 2006, 50% of the previously unvested portion of the Initial Option Grant shall vest and such vested options shall be exercisable until their respective expiration dates; if employment was terminated commencing in the calendar year 2007 and thereafter or if we elect not to renew the agreement following the initial three year term or any additional term, all stock options granted to Dr. Hausman (including without limitation the Initial Option Grant) shall immediately vest and shall remain exercisable until their respective expiration dates.

- In the event Dr. Hausman terminates his relationship with us for good reason within one (1) year of the occurrence of the event which established good reason, or for good reason within one year of a change of control, Dr. Hausman shall receive the following: (i) if the termination occurred during the calendar year 2006 for good reason, an amount equal to six months of base salary; if the termination occurred during the calendar year 2006 due to a change of control, an amount equal to twelve months of base salary; if termination for good reason occurred during the calendar year 2007 or thereafter, an amount equal to twelve months of the then current base salary plus an amount equal to the prior year's bonus (and if occurring before the bonus for 2007 has been determined, an amount equal to 50% of the then current base salary); (ii) if termination occurred during the calendar year 2006, 50% of the previously unvested portion of the Initial Option Grant shall vest and such vested options shall be exercisable until their respective expiration dates, except that if termination is by Dr. Hausman for good reason subsequent to a change of control, then 100% of any option grants to Dr. Hausman (including, without limitation, the Initial Option Grant) shall vest and shall remain exercisable until its respective expiration dates; if employment was terminated commencing in the calendar year 2007 and thereafter, all stock options granted to Dr. Hausman (including, without limitation, the Initial Option Grant) shall immediately vest and shall remain exercisable until their respective expiration dates.

On February 28, 2005, we entered into a Letter Agreement, effective as of February 28, 2005, with Steven T. Guillen under which he was hired as our President and Chief Executive Officer. On September 15, 2006, Mr. Guillen's employment as President and Chief Executive Officer was terminated by the board of directors. On March 8, 2007, we entered into a Separation Agreement with Mr. Guillen under which, among other things, Mr. Guillen agreed to resign from the board of directors.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the amount of our named executive officer's equity-based compensation outstanding at the fiscal year ended December 31, 2007.

Outstanding Equity Awards at Fiscal Year-End

	Options Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares Or Units That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested
	(#)	(#)	(#)	($)		(#)	($)	(#)	($)
Dr. Marvin S. Hausman	30,000	—	—	$ 0.22	06/14/12	347,500	$ 78,500	—	$ —
	5,000	—	—	$ 0.42	06/18/13				
	11,695	—	—	$ 0.57	12/03/13				
	50,000	—	—	$ 0.59	10/11/14				
	5,000	—	—	$ 0.34	06/22/15				
	108,000	—	—	$ 0.37	10/05/15				
	400,000	100,000	—	$ 0.29	12/28/15				
	5,000	—	—	$ 0.27	07/31/16				
	247,500	247,500	—	$ 0.20	11/05/16				
	1,505,000	—	—	$ 0.20	11/05/16				

Director Compensation

We pay an annual fee of $4,000 to each non-employee director and an additional $1,000 to non-employee directors for serving as committee chair. During 2007, while we did not make payments under this policy, such expenses were accrued. We do not pay meeting fees but directors are reimbursed for their expenses incurred in attending meetings. Employee directors receive no other compensation as directors.

Under our 2003 Stock Incentive Plan, non-employee directors are automatically awarded options to purchase 30,000 shares of common stock upon becoming directors and automatically awarded options to purchase 5,000 shares of common stock annually after this date.

The following table represents stock options that were granted during 2007 to non-employee directors.

Director Compensation

Name	Fees Earned or Paid in Cash (1)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
S. Colin Neill	$ 6,000 (4)	$ —	$ 500 (2)	$ —	$ —	$ 6,500
John E. Repine, M.D	4,000	—	500 (2)	—	—	4,500
Gary M. Post	4,000	—	500 (2)	—	—	4,500
			(2)			
Matthew Spolar	4,000	—	500 (3)	—	—	4,500

(1) Accrued but not paid.
(2) Represents automatic annual option grants made to all non-employee directors for their service on the board.
(3) Mr. Spolar resigned from the board of directors on December 20, 2007.
(4) Colin Neill accrued $4,000 for annual director fees and $1,000 each for his services as chairman of the audit and nominating committees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information known by us with respect to the beneficial ownership of our common stock as of April 4, 2008 by (i) each person who is known by us to own beneficially more than 5% of common stock, (ii) each of the Named Executive Officers (see the section above entitled "Executive Compensation"), (iii) each of our directors and (iv) all of our current officers and directors as a group. Except as otherwise listed below, the address of each person is c/o OXIS International, Inc., 323 Vintage Park Drive, Suite B, Foster City, California 94404.

The percentage of shares beneficially owned is based on 46,850,809 shares of common stock outstanding as of April 4, 2008. Shares of common stock subject to stock options and warrants that are currently exercisable or exercisable within 60 days of April 4, 2008 are deemed to be outstanding for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Shares of Outstanding Common Stock
TorreyPines Therapeutics, Inc. (1) 11085 N. Torrey Pines Road La Jolla, CA 92037	13,982,567	29.84%
Bristol Investment Fund, Ltd. (2) Bristol Capital Advisors, LLC 10990 Wilshire Boulevard, Suite 1410 Los Angeles, CA 90024	12,755,851	21.40%
Alpha Capital Anstalt (3) c/o LH Financial 150 Central Park South, 2nd Floor New York, NY 10019	5,020,001	9.68%
Whalehaven Capital Fund Limited (4) 3rd Floor, 14 Par-La-Ville Rd. P. O. Box HM1027 Hamilton HMDX Bermuda	3,764,999	7.44%
Cranshire Capital, LP (5) 3100 Dundee Rd., Suite 703 Northbrook, IL 60062	3,703,538	7.33%
Marvin S. Hausman, M.D. (6)	4,835,025	9.80%
S. Colin Neill (7)	407,500	*
John E. Repine, M.D. (8)	469,387	*%
Gary M. Post (9)	1,218,691	2.54%
Executive officers and directors as a group — 4 persons (10)	6,930,603	13.49%

* Less than one percent.

(1) Based on a Schedule 13G filed with the SEC on February 14, 2006, filed on behalf of TorreyPines Therapeutics Pursuant to the Schedule 13G, TorreyPines has sole voting power as to 13,982,567 shares.
(2) The holdings of Bristol Investment Fund, Ltd. include 3,867,925 shares of common stock, 1,434,286 shares issuable upon the voluntary conversion by Bristol Investment Fund of a secured convertible debenture at the current conversion price of $0.35 per share, warrants to purchase 1,933,963 shares of common stock at a price of $0.66 per share, warrants to purchase 1,933,962 shares of common stock at a purchase price of $1.00 per share, warrants to purchase 2,868,572 shares of common stock at a purchase price of $0.35 per share, and warrants to purchase 717,143 shares of common stock at a purchase price of $0.385 per share. Paul Kessler, manager of Bristol Capital Advisors, LLC, the investment advisor to Bristol Investment Fund, Ltd., has voting and investment control over the securities held by Bristol Investment Fund, Ltd. Mr. Kessler disclaims beneficial ownership of these securities.
(3) The holdings of Alpha Capital Anstalt include 1,434,286 shares issuable upon the voluntary conversion by Alpha Capital Anstalt of a secured convertible debenture at the current conversion price of $0.35 per share, warrants to purchase 2,868,572 shares of common stock at a purchase price of $0.35 per share, and warrants to purchase 717,143 shares of common stock at a purchase price of $0.385 per share.
(4) The holdings of Whalehaven Capital Fund Limited include 1,075,714 shares issuable upon the voluntary conversion by Whalehaven Capital Fund of a secured convertible debenture at the current conversion price of $0.35 per share, warrants to purchase 2,151,428 shares of common stock at a purchase price of $0.35 per share, and warrants to purchase 537,857 shares of common stock at a purchase price of $0.385 per share.
(5) The holdings of Cranshire Capital, LP. include 896,429 shares issuable upon the voluntary conversion by Cranshire Capital of a secured convertible debenture at the current conversion price of $0.35 per share, warrants to purchase 283,019 shares of common stock at a price of $0.66 per share, warrants to purchase 283,019 shares of common stock at a purchase price of $1.00 per share, warrants to purchase 1,792,857 shares of common stock at a purchase price of $0.35 per share, and warrants to purchase 448,214 shares of common stock at a purchase price of $0.385 per share. Mitchell P. Kopin, the President of Downsview Capital, Inc., the General Partner of Cranshire Capital, L.P., has sole investment power and voting control over the securities held by Cranshire Capital, L.P.
(6) The holdings of Marvin S. Hausman, M.D. include 2,344,080 shares of common stock, 985,945 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 4, 2008, and 1,505,000 warrant shares exercisable currently or within 60 days of April 4, 2008.
(7) The holdings of S. Colin Neill include 220,000 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 4, 2008, and 187,500 warrant shares exercisable currently or within 60 days of April 4, 2008.
(8) The holdings of director John E. Repine include 50,000 shares of common stock and 419,387 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 4, 2008.
(9) The holdings of director Gary M. Post include 524,583 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 4, 2008 and 694,108 warrant shares exercisable currently or within 60 days of April 4, 2008.
(10) The holdings of the executive officers and directors as a group include an aggregate 2,394,080 shares of common stock, 2,149,915 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 4, 2008 and 2,386,608` warrant shares exercisable currently or within 60 days of April 4, 2008.

Series C Preferred Stock

The following table sets forth certain information, as of December 31, 2007, with respect to persons known by us to be the beneficial owner of more than five percent (5%) of the OXIS Series C Preferred Stock.

Name and address	Number of Shares of Series C Preferred Stock Beneficially Owned	Percent of class (1)
American Health Care Fund, L.P. 2748 Adeline, Suite A Berkeley, CA 94703 (1)	77,000	80 %
Megapolis BV Javastraaat 10 2585 The Hague, Netherlands (1)	19,230	20 %

(1) As required by SEC rules, the number of shares in the table includes shares which can be purchased within 60 days, or, shares with respect to which a person may obtain voting power or investment power within 60 days. Also required by such regulations, each percentage reported in the table for these individuals is calculated as though shares which can be purchased within 60 days have been purchased by the respective person or group and are outstanding.

Equity Compensation Plan Information

The following is a summary of our equity compensation plans at December 31, 2007:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders (1)	3,724,022	$ 0.35	1,314,062
Equity compensation plans not approved by security holders (2)	3,761,333	$ 0.22	—
Total	7,485,355		1,314,062

(1) As of December 31, 2007, we had options issued and outstanding to purchase 3,387,350 shares of common stock under our 2003 Stock Incentive Plan and 336,672 shares of common stock under the 1994 Stock Incentive Plan. Our 1994 Stock Incentive Plan terminated on April 30, 2004 and no additional grants may be made under that plan. As approved by stockholders, we may grant additional options to purchase up to 1,314,062 shares of common stock under our 2003 Stock Incentive Plan as of December 31, 2007. The number of shares reserved for issuance pursuant to options under the 2003 Stock Incentive Plan was increased by 300,000 shares on January 1, 2007 pursuant to an evergreen provision in the stock option plan.

(2) As of December 31, 2007, we had options and warrants issued and outstanding for the purchase of an aggregate of 3,761,333 shares of our common stock to officers, directors, consultants and advisors outside of our 1994 Stock Incentive Plan and our 2003 Stock Incentive Plan, which were issued on a case by case basis at the discretion of the board of directors.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On October 11, 2007, we entered into an Amendment to Advisory Agreement with Ambient Advisors LLC. Pursuant to the Amendment, we agreed to increase the Advisory Fee from $85,000 to $125,000 per annum, retroactive to the October 15, 2007 (the Commencement Date of the Advisory Agreement) in recognition of the fact that Mr. Post has spent approximately 50% of his time providing the advisory services to us rather than the 33% originally contemplated in the Advisory Agreement. A copy of the amended advisory agreement is included as Exhibit 10.46 filed with this annual report on Form 10-KSB.

On March 8, 2007, we and Mr. Guillen entered into a Confidential Separation Agreement (dated February 12, 2007), under which we agreed to pay Mr. Guillen the sum of $250,000 in twelve equal monthly installments, subject to standard payroll deductions and withholdings. We also agreed that Mr. Guillen's stock options would immediately vest, and that to the extent the shares underlying such options are not registered, Mr. Guillen would be granted piggyback registration rights to cover these shares. Mr. Guillen would have the right to exercise his options until February of 2010. We also agreed to pay Mr. Guillen's health insurance premiums for the twelve-month separation period in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985. In exchange for these payments and benefits, Mr. Guillen and OXIS agreed to mutually release all claims, dismiss all complaints as applicable, and neither party shall pursue any future claims regarding Mr. Guillen's prior employment and compensation arrangements with us. A copy of the separation agreement is included as Exhibit 10.43 to this annual report on Form 10-KSB.

ITEM 13. EXHIBITS

See Exhibit Index that appears on page 67 of this report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

We incurred aggregate fees and expenses of $110,000 and $50,000, respectively, from Williams & Webster, P.S. for the fiscal years 2007 and 2006 annual audit and for review of OXIS consolidated financial statements included in its Forms 10-QSB for the 2007 and 2006 fiscal years.

Audit Related Fees

We incurred aggregate fees and expenses of approximately $3,700 from Williams & Webster, P.S. during 2007 related to the filing of SEC Form SB-2 and other SEC matters.

Tax Fees

We incurred aggregate fees and expenses of $6,800 from Williams & Webster, P.S. during 2007 for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

None.

Our Audit Committee is to pre-approve all audit and non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated pre-approval authority to its Chairman when expedition of services is necessary. The independent auditors and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 11, 2008

OXIS International, Inc.

By: /s/ Marvin S. Hausman, M.D.
Marvin S. Hausman, M.D.
President and Chief Executive Officer

/s/ Marvin S. Hausman, M.D.
Marvin S. Hausman, M.D.
Acting Principal Financial and Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Marvin S. Hausman, M.D. and Gary M. Post as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this report on Form 10-KSB, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed below by the following directors on behalf of the registrant.

/s/ Marvin S. Hausman, M.D.	April 11, 2008	/s/ John E. Repine, M.D.*	April 11, 2008
Marvin S. Hausman, M.D.	Date	John E. Repine, M.D.	Date
/s/ S. Colin Neill*	April 11, 2008	/s/ Gary M. Post*	April 11, 2008
S. Colin Neill	Date	Gary M. Post	Date

*By: /s/ MARVIN S. H AUSMAN , M.D. April 11, 2008
Marvin S. Hausman, M.D.
As Attorney-in-Fact

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Restated Certificate of Incorporation as filed in Delaware September 10, 1996 and as thereafter amended through March 1, 2002	10-KSB	04/01/02	3.A	
3.2	Bylaws of the Company as restated effective September 7, 1994 and as amended through April 29, 2003	10-QSB	08/13/03	3	
10.1	Series C Preferred Stock Subscription and Purchase Agreement (form); dated April 1996 (1,774,080 shares in total)	10-KSB	04/01/02	10.B	
10.2	Subscription Agreement, Warrant to Purchase Common Stock and Form of Subscription dated July 2003 - August 2003	10-KSB	03/26/04	10.D	
10.3	Note and Warrant Purchase Agreement dated January 9, 2004	10-KSB	03/26/04	10.I	
10.4	Form of Convertible Promissory Note dated January 9, 2004	10-KSB	03/26/04	10.J	
10.5	Form of Warrant to Purchase Common Stock dated January 9, 2004	10-KSB	03/26/04	10.K	
10.6	Form of Loan Agreement between OXIS International, Inc. and Axonyx, Inc. dated June 2004	8-K	06/10/04	99.2	
10.7	Form of Promissory Note between OXIS International, Inc. and Axonyx, Inc. dated June 2004	8-K	06/10/04	99.3	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.8	Form of Security Agreement between OXIS International, Inc. and Axonyx, Inc. dated June 2004	8-K	06/10/04	99.4	
10.9	Form of License Agreement between OXIS International, Inc. and Haptoguard, dated September 28, 2004	10-QSB	11/12/04	10.N	
10.10	Securities Purchase Agreement, dated December 30, 2004	8-K/A	02/10/05	99.1	
10.11	Registration Rights Agreement, dated December 30, 2004	8-K/A	02/10/05	99.2	
10.12	Form of Common Stock Purchase Warrant, dated December 30, 2004	8-K/A	02/10/05	99.3	
10.13	Consulting Agreement between OXIS International, Inc. and Marvin D, Hausman, M.D., dated October 14, 2004	SB-2	02/25/05	10.O	
10.14	Form of Indemnification Agreement between OXIS International, Inc. and its Officers and Directors	SB-2	02/25/05	10.P	
10.15	Letter Agreement between OXIS International, Inc. and Steven T. Guillen, dated February 28, 2005	8-K	03/04/05	10.1	
10.16	Restricted Stock Purchase Agreement between OXIS International, Inc. and Steven T. Guillen, dated February 28, 2005	8-K	03/04/05	10.2	
10.17	Notice of Stock Option Award and related Stock Option Agreement between OXIS International Inc. and Steven T. Guillen, dated February 28, 2005	SB-2/A	04/29/05	10.T	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.18	Nonqualified Stock Option Agreement between OXIS International, Inc. and Steven T. Guillen, dated February 28, 2005	SB-2/A	04/29/05	10.U	
10.19	Conversion Agreement between OXIS International, Inc. and Equitis Entreprise, dated May 23, 2005	8-K	05/25/05	99.1	
10.20	Agreement between OXIS International, Inc. and Timothy C. Rodell date July 31, 2005	8-K	08/04/05	99.1	
10.21	Stock Purchase Agreement between OXIS International, Inc. and BioCheck Inc. dated September 19, 2005	8-K	09/23/05	99.1	
10.22	Tenth Amendment to Lease between OXIS International, Inc. and Rosan, Inc. dated October 28, 2005	8-K	11/02/05	10.1	
10.23	Consulting Agreement between OXIS International, Inc. and NW Medical Research Partners dated November 17, 2005	8-K	11/23/05	10.1	
10.24	Executive Employment Agreement between OXIS International, Inc., BioCheck, Inc. and John Chen dated December 6, 2005	10-KSB	03/31/06	10.24	
10.25	Option and Reimbursement Agreement between EverNew Biotech, Inc., OXIS International, Inc. and the shareholders of EverNew, dated December 6, 2005	10-KSB	03/31/06	10.25	
10.26	Letter Agreement between OXIS International, Inc. and Michael D. Centron dated January 6, 2006	8-K	01/10/06	10.1	
10.27	Lease Agreement between OXIS International, Inc. and Westcore Peninsula Vintage LLC dated February 8, 2006	8-K	02/13/06	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.28	Promissory Note issued by OXIS International, Inc. to Steven T. Guillen dated March 10, 2006	8-K	03/14/06	10.1	
10.29	Promissory Note issued by OXIS International, Inc. to Fagan Capital, Inc. dated March 31, 2006	8-K	04/04/06	10.1	
10.30	Engagement Letter with Ambient Advisors	8-K	5/31/06	10.1	
10.31	Mutual Services Agreement between OXIS International, Inc. and BioCheck, Inc. dated June 23, 2006	8-K	6/29/06	10.1	
10.32	Renewal and Modification Promissory Note dated June 2, 2006.	8-K	7/26/06	10.1	
10.33	Common Stock Purchase Warrant dated June 2, 2006.	8-K	7/26/06	10.2	
10.34	Amendment #2 to Exclusive License and Supply Agreement dated July 19, 2006.	8-K	7/26/06	10.3	
10.35	Form of Securities Purchase Agreement dated October 25, 2006.	8-K	10/26/06	10.1	
10.36	Form of Secured Convertible Debenture dated October 25, 2006.	8-K	10/26/06	10.2	
10.37	Form of Series A, B, C, D, E Common Stock Purchase Warrant dated October 25, 2006.	8-K	10/26/06	10.3	
10.38	Form of Registration Rights Agreement dated October 25, 2006.	8-K	10/26/06	10.4	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.39	Form of Security Agreement dated October 25, 2006.	8-K	10/26/06	10.5	
10.40	Employment Agreement between OXIS International, Inc. and Marvin S. Hausman, M.D. dated November 6, 2006.	8-K	11/13/06	10.1	
10.41	Advisory Agreement between OXIS International, Inc. and Ambient Advisors, LLC dated November 6, 2006.	8-K	11/13/06	10.2	
10.42	Consulting Agreement between OXIS International, Inc. and John E. Repine, M.D. dated November 6, 2006.	8-K	11/13/06	10.3	
10.43	Separation Agreement between OXIS and Steve Guillen dated March 8, 2007	10-KSB	4/17/07	10.43	
10.44	Registration Rights Agreement between OXIS and Steve Guillen dated March 30, 2007	8-K/A	5/3/07	99.1	
10.45	Amended and Restated Exclusive License Agreement between OXIS and Alteon, Inc. dated April 2, 2007	10-QSB	8/14/07	10.1	
10.46	Amendment to Advisory Agreement between OXIS and Ambient Advisors, Inc. dated October 11, 2007	8-K	10/16/07	10.1	
21.1	Subsidiaries of OXIS International, Inc.				X
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

Contents

Oxis International, Inc.
Foster City, California

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheets of Oxis International, Inc. as of December 31, 2007 and 2006, and the related statements of operations, stockholders' deficit 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides 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 Oxis International, Inc. as of December 31, 2007 and 2006 and the results of its operations, stockholders deficit and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant and ongoing operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans regarding the resolution of this issue are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Williams & Webster, P.S.

Certified Public Accountants

Spokane, Washington
April 7, 2008, except for Note 14 which is dated April 11, 2008

OXIS International, Inc. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2007 and 2006

	December 31, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,140,000	$ 1,208,000
Accounts receivable, net	830,000	732,000
Inventory	520,000	561,000
Prepaid expenses and other current assets	129,000	130,000
Deferred tax assets	8,000	10,000
Restricted cash	—	3,060,000
Total Current Assets	2,627,000	5,701,000
Property, plant and equipment, net	169,000	244,000
Patents, net	561,000	761,000
Goodwill and other assets, net	1,500,000	1,291,000
Total Other Assets	2,230,000	2,296,000
TOTAL ASSETS	$ 4,857,000	$ 7,997,000
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 1,034,000	$ 714,000
Accrued expenses	1,039,000	838,000
Accounts payable to related party	—	49,000
Warrant liability	244,000	2,314,000
Accrued derivative liability	89,000	678,000
Convertible debentures, net of discounts of $552,000	797,000	—
Notes payable	—	3,060,000
Total Current Liabilities	3,203,000	7,653,000
Long-term deferred taxes	25,000	25,000
Convertible debentures, net of discounts of $1,226,000	—	124,000
Total Liabilities	3,228,000	7,802,000
Minority interest	866,000	770,000
Commitments and Contingencies	—	—
Stockholders' Equity (Deficit):		
Convertible preferred stock - $0.01 par value; 15,000,000 shares authorized:		
Series B - 0 and 0 shares issued and outstanding at December 31, 2007 and 2006, respectively (aggregate liquidation preference of $1,000)	—	—
Series C - 96,230 shares issued and outstanding at December 31, 2007 and 2006	1,000	1,000
Common stock - $0.001 par value; 150,000,000 shares authorized; 46,850,809 and 44,527,476 shares issued and outstanding at December 31, 2007 and 2006, respectively	47,000	45,000
Additional paid-in capital	70,980,000	70,115,000
Accumulated deficit	(69,848,000)	(70,319,000)
Accumulated other comprehensive loss	(417,000)	(417,000)
Total Stockholders' Equity (Deficit)	763,000	(575,000)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 4,857,000	$ 7,997,000

The accompanying notes are an integral part of these consolidated financial statements.

OXIS International, Inc. and Subsidiaries
Consolidated Statements of Operations
For Years Ended December 31, 2007 and 2006

	2007	2006
Revenue:		
Product revenues	$ 5,205,000	$ 5,201,000
License revenues	844,000	575,000
TOTAL REVENUE	6,049,000	5,776,000
Cost of Product Revenue	3,261,000	3,084,000
Gross Profit	2,788,000	2,692,000
Operating Expenses:		
Research and development	1,037,000	708,000
Selling, general and administrative	2,867,000	4,654,000
Total Operating Expenses	3,904,000	5,362,000
Loss from Operations	(1,116,000)	(2,670,000)
Other Income (expense):		
Interest income	52,000	80,000
Other income	73,000	62,000
Financing cost related to convertible debentures	—	(1,674,000)
Change in value of warrant and derivative liabilities	2,659,000	32,000
Interest expense	(1,014,000)	(484,000)
Other expense	(13,000)	—
Total Other Income (Expense)	1,757,000	(1,984,000)
Minority Interest in Subsidiary	(95,000)	(166,000)
Income (loss) before provision for income taxes	546,000	(4,820,000)
Provision for income taxes	75,000	120,000
Net income (loss)	$ 471,000	$ (4,940,000)
Earnings (Loss) Per Share		
Basic	$ 0.01	$ (0.11)
Diluted	$ 0.01	$ (0.11)
Weighted Average Shares Outstanding		
Basic	45,449,394	43,059,701
Diluted	45,511,028	43,059,701

The accompanying notes are an integral part of these consolidated financial statements.

OXIS International, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity (Deficit)
For the Year Ended December 31, 2007

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	(Deficit)
Balance, December 31, 2005	96,230	$ 1,000	42,538,397	$ 43,000	$ 68,686,000	$ (65,379,000)	$ (417,000)	$ 2,934,000
Exercise of stock options			528,588	1,000	69,000			70,000
Issuance of common stock for services and accounts payable			1,460,491	1,000	292,000			293,000
Fair value of warrants issued with debt					166,000			166,000
Stock compensation expense for options issued to employees and non-employees					692,000			692,000
Repricing of warrants					210,000			210,000
Net loss						(4,940,000)		(4,940,000)
Balance, December 31, 2006	96,230	$ 1,000	44,527,476	$ 45,000	$ 70,115,000	$ (70,319,000)	$ (417,000)	$ (575,000)
Issuance of common stock			2,083,333	2,000	498,000			500,000
Issuance of common stock for services			240,000		24,000			24,000
Stock compensation expense for options issued to non-employees					174,000			174,000
Stock compensation expense for options issued to employees					169,000			169,000
Net income						471,000		471,000
Balance, December 31, 2007	96,230	$ 1,000	46,850,809	$ 47,000	$ 70,980,000	$ (69,848,000)	$ (417,000)	$ 763,000

The accompanying notes are an integral part of these consolidated financial statements.

OXIS International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 471,000	$ (4,940,000)
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of property, plant and equipment	75,000	63,000
Amortization of intangible assets	145,000	114,000
Impairment of patents	152,000	—
Accretion of interest on discounted note payable	—	166,000
Common stock issued to vendor for accounts payable	—	21,000
Stock compensation expense for options and warrants issued to employees and non-employees	367,000	692,000
Repricing of warrants	—	210,000
Stock compensation expense	—	272,000
Amortization of debt discounts	673,000	124,000
Change in value of warrant and derivative liabilities	(2,659,000)	(32,000)
Financing cost related to convertible debentures	—	1,674,000
Change in deferred taxes	2,000	(12,000)
Minority interest in subsidiary	96,000	166,000
Changes in operating assets and liabilities:		
Accounts receivable	(98,000)	133,000
Inventory	41,000	89,000
Prepaid expense and other current assets	(7,000)	155,000
Accounts payable	320,000	209,000
Accrued expenses	201,000	370,000
Taxes payable		
Accounts payable to related party	(49,000)	(145,000)
Net cash used in operating activities	(270,000)	(671,000)
CASH FLOW INVESTING ACTIVITIES:		
Investment in restricted certificate of deposit	—	(3,060,000)
Purchase of investment	(69,000)	—
Payment for acquisition of additional interest in subsidiary	(132,000)	—
Proceeds from restricted certificate of deposit	3,060,000	3,060,000
Capital expenditures	—	(64,000)
Increase in patents	(97,000)	(44,000)
Net cash provided by (used in) investing activities	2,762,000	(108,000)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	500,000	—
Proceeds from issuance of convertible debenture	—	1,350,000
Payment of offering costs and expenses	—	(47,000)
Proceeds from exercise of stock options	—	70,000
Proceeds from short-term borrowing	—	3,666,000
Repayment of short-term borrowings	(3,060,000)	(3,666,000)
Net cash provided by (used in) financing activities	(2,560,000)	1,373,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,000)	594,000
CASH AND CASH EQUIVALENTS, Beginning of year	1,208,000	614,000
CASH AND CASH EQUIVALENTS, End of year	$ 1,140,000	$ 1,208,000

The accompanying notes are an integral part of these consolidated financial statements

1. The Company and Summary of Significant Accounting Policies

OXIS International, Inc. with its subsidiaries (collectively, "OXIS" or the "Company") is engaged in the development of clinical and research assays, diagnostics, nutraceutical and therapeutic products, which include new technologies applicable to conditions and diseases associated with oxidative stress. OXIS derives its revenues primarily from sales of research diagnostic assays to research laboratories. The Company's diagnostic products include twenty-five research assays to measure markers of oxidative stress.

OXIS' majority owned subsidiary, BioCheck Inc. ("BioCheck") offers its clinical laboratory and *in vitro* diagnostics customers over 40 clinical diagnostic assays. BioCheck's primary product line consists of enzyme linked immunosorbentassay, or ELISA, kits that are widely used in medical laboratory settings. These test kits are applicable to cardiac markers, infectious disease, thyroid function markers, fertility hormones, and other miscellaneous clinical diagnostic markers. BioCheck currently has several products under development for cancer, cardiac/inflammatory and angiogenesis research applications. In addition to clinical and research assay products, BioCheck provides various research services to pharmaceutical and diagnostic companies worldwide.

In 1965, the corporate predecessor of OXIS, Diagnostic Data, Inc., was incorporated in the State of California. Diagnostic Data changed its incorporation to the State of Delaware in 1972; and changed its name to DDI Pharmaceuticals, Inc. in 1985. In 1994, DDI Pharmaceuticals merged with International BioClinical, Inc. and Bioxytech S.A. and changed its name to OXIS International, Inc. The Company's principal executive offices were relocated to Foster City, California from Portland, Oregon on February 15, 2006.

On September 19, 2005, the Company entered into a stock purchase agreement with BioCheck and certain stockholders of BioCheck to purchase all of the common stock of BioCheck for $6.0 million in cash. On December 6, 2005, the Company purchased 51% of the common stock of BioCheck from each of the shareholders of BioCheck on a pro rata basis, for $3,060,000 in cash and in the third quarter of 2007 the Company purchased an additional 2% of BioCheck shares.

Going Concern

The Company incurred a loss from operations of $1,116,000 and $2,670,000 in 2007 and 2006, respectively. BioCheck generated a net profit of $186,000 in 2007. The Company obtained debt financing in the amount of $1,350,000 in the fourth quarter of 2006. Such financing resulted in a non-cash financing charges of $1,674,000 in 2006. Net income in 2007 was primarily affected by non-cash income relating to decrease in value of the warrant and derivative liabilities. The Company's plan is to increase revenues to generate sufficient gross profit in excess of selling, general and administrative, and research and development expenses in order to achieve profitability. However, the Company can not assure you that it will accomplish this task and there are many factors that may prevent the Company from reaching its goal of profitability.

As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of $69,848,000 through December 31, 2007. On a consolidated basis, the Company had cash and cash equivalents of $1,140,000 at December 31, 2007 of which $950,000 was held by BioCheck. Since BioCheck has been and is expected to continue to be cash flow positive, management believes that BioCheck's cash will be sufficient to sustain its operating activities, however, OXIS does not have access to the funds held by BioCheck as BioCheck is not a wholly owned subsidiary. The cash held by the OXIS parent company was $190,000 at December 31, 2007. The Company will need to seek additional loan and/or equity financing to pay for basic operating costs, or to expand operations, implement its marketing campaign, or hire additional personnel. During the three months ended September 30, 2007, the Company purchased an additional 2% of Bio Check shares for $132,000. Additionally, the Company may decide to acquire the remaining 47% of BioCheck that the Company currently does not own, which would require additional financing. However, the Company may not successfully obtain debt or equity financing on terms acceptable to the Company, or at all, that will be sufficient to finance the Company's operating costs in 2008 and its other goals. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue operations.

The current rate of cash usage at our parent level raises substantial doubt about the Company's ability to continue as a going concern, absent any new sources of significant cash flows. In an effort to mitigate this near-term concern the Company is seeking additional equity financing to obtain sufficient funds to sustain operations. The Compnay plans to increase revenues by introducing new products. However, the Company cannot provide assurance that it will successfully obtain equity or other financing, if any, sufficient to finance its goals or that the Company will increase product related revenues. The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the Company cannot continue in existence.

Accounts receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The following table summarizes the activity for the Company's allowance for doubtful accounts:

	Balance at Beginning of Period	Increases Additions	Decreases	Balance at End of Period
Year ended December 31, 2006	$ 2,000	25,000	--	27,000
Year ended December 31, 2007	27,000	17,000	--	44,000

Advertising and promotional fees

Advertising expenses consist primarily of costs incurred in the design, development, and printing of Company literature and marketing materials. The Company expenses all advertising expenditures as incurred. The Company's advertising expenses were $1,000 and $2,000 for the years ended December 31, 2007 and 2006, respectively.

Basis of Consolidation and Comprehensive Income

The accompanying consolidated financial statements include the accounts of OXIS International, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated. The Company's financial statements are prepared using the accrual method of accounting. On December 6, 2005, the Company purchased 51% (subsequently purchased an additional 2%) of the common stock of BioCheck. The foreign subsidiaries' assets and liabilities are translated at the exchange rates at the end of the year, and their statements of operations are translated at the average exchange rates during each year. Gains and losses resulting from foreign currency translation are recorded as other comprehensive income or loss and accumulated as a separate component of shareholders' equity. There were no items of other comprehensive income or loss in 2007 or 2006 and, therefore, comprehensive loss is the same as net loss for 2007 and 2006.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk

Revenues from sales to one of the Company's distributors located outside of the United States were 3.9% and 3.08% of total revenues during 2007 and 2006, respectively. Approximately 38% of the Company's revenues were attributed to ten customers in 2007 and 39% of the Company's sales revenues were attributed to ten customers in 2006.

The Company's cash and cash equivalents, marketable securities and accounts receivable are monitored for exposure to concentrations of credit risk. Cash equivalents and marketable securities consist of high quality credit instruments and management regularly monitors their composition and maturities. The Company maintains cash in money market accounts and a bank certificate of deposit. Management monitors the amount of credit exposure related to accounts receivable on an ongoing basis and generally requires no collateral from customers. The Company maintains allowances for estimated probable losses, when applicable.

Derivative instruments

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, “Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140” (hereinafter “SFAS No. 155”). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity (“SPE”) may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will not change the way the Company accounts for its derivative transactions.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. The Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes. During 2007 and 2006, the Company has not engaged in any transactions that would be considered to contain derivative instruments, except for the convertible debenture issued in 2006.

Fair value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, inventory, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. The fair value of debt is based upon current interest rates for debt instruments with comparable maturities and characteristics and approximates the carrying amount.

Stock Based Compensation to Employees

The Company accounts for its stock-based compensation for employees in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 123R, "Share-Based Payment, an Amendment of Financial Accounting Standards Board (“FASB”) Statement No. 123." The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees

Stock Based Compensation to Other than Employees

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and the conclusions reached by the Emerging Issues Task Force in Issue No. 96- 18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services" ("EITF 96-18"). Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably determinable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement.

Goodwill

In connection with the acquisition of BioCheck, the Company recorded goodwill equal to the excess of the fair value of the consideration given over the estimated fair value of the assets and liabilities received. The goodwill was primarily attributed to the reputation of the principals and the cGMP/ISO 9000 compliant manufacturing facilities in Foster City, California.

Inventories

Inventories are stated at the lower of cost or market. Cost has been determined by using the first-in, first-out method. The Company periodically reviews its reserves for slow moving and obsolete inventory and believes that such reserves are adequate at December 31, 2007 and 2006.

Impairment of Long Lived Assets

The Company's long-lived assets include capitalized patents, goodwill, property and equipment related to the Company's manufacturing facilities in California. The Company evaluates its long-lived assets for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any of the Company's long-lived assets are considered to be impaired, the amount of impairment to be recognized is equal to the excess of the carrying amount of the assets over the fair value of the assets.

Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. The Company relocated manufacturing and administrative functions from Portland, Oregon to Foster City, California during the first quarter of 2006 and closed the Portland, Oregon facility. Certain assets were disposed of or sold during 2006, most of which were fully depreciated.

In connection with the acquisition of BioCheck, the Company recorded goodwill equal to the excess of the fair value of the consideration given over the estimated fair value of the assets and liabilities received. The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") that discontinued the amortization of goodwill and requires the testing of goodwill for impairment annually, or sooner, if indicators of potential impairment exist, based upon a fair value approach. In accordance with SFAS No. 142, OXIS performed an impairment test of goodwill as of December 31, 2007 and found no evidence of impairment. The Company evaluated several factors to determine the fair value of the BioCheck business including projected cash flows from product sales and cash receipts expected from those sales.

Income Taxes

The Company accounts for income taxes using the asset and liability approach whereby deferred income tax assets and liabilities are recognized for the estimated future tax effects, based on current enacted tax laws, of temporary differences between financial and tax reporting for current and prior periods. Deferred tax assets are reduced, if necessary, by a valuation allowance if the corresponding future tax benefits may not be realized.

Effective January 1, 2007 the Company adopted Financial Accounting Standards Board Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity's uncertain income tax positions. Based on a detailed review of all tax positions, it was determined that the Company has no significant unrecognized tax benefits, and therefore the Company's adoption of FIN 48 had no impact on the Company's consolidated financial statements.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period, plus the potential dilutive effect of common shares issuable upon exercise or conversion of outstanding stock options and warrants during the period. The weighted average number of potentially dilutive common shares are 61,634 in 2007 and 808,327 in 2006. These shares were excluded from diluted loss per share for the year ended December 31, 2006 because of their anti-dilutive effect.

Patents

Acquired patents are capitalized at their acquisition cost or fair value. The legal costs, patent registration fees and models and drawings required for filing patent applications are capitalized if they relate to commercially viable technologies. Commercially viable technologies are those technologies that are projected to generate future positive cash flows in the near term. Legal costs associated with patent applications that are not determined to be commercially viable are expensed as incurred. All research and development costs incurred in developing the patentable idea are expensed as incurred. Legal fees from the costs incurred in successful defense to the extent of an evident increase in the value of the patents are capitalized.

Capitalized cost for pending patents are amortized on a straight-line basis over the remaining twenty year legal life of each patent after the costs have been incurred. Once each patent is issued, capitalized costs are amortized on a straight-line basis over the shorter of the patent's remaining statutory life, estimated economic life or ten years.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which are 3 to 10 years for machinery and equipment, the shorter of the lease term or estimated economic life for leasehold improvements. For the Company's BioCheck subsidiary, depreciation has been computed on a double-declining basis over the estimated useful lives of the assets, which generally has been 7 years for machinery and equipment, and 39 years for leasehold improvements.

Recent Accounting Pronouncements

In December 2007, the FASB issued FASB 141R, Business Combinations (“FASB 141R”). Under FASB 141R, an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at their fair value at the acquisition date for any business combination consummated after the effective date. It further requires that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, we will adopt FASB 141R effective January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements”, which is an amendment of Accounting Research Bulletin (“ARB”) No. 51. This statement clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement changes the way the consolidated income statement is presented, thus requiring consolidated net income to be reported at amounts that include the amounts attributable to both parent and the noncontrolling interest. This statement is effective for the fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Based on current conditions, the Company does not expect the adoption of SFAS 160 to have a significant impact on its results of operations or financial position. Management is currently evaluating the impact of FASB 160 on the consolidated financial statements.

In June 2007, the FASB issued FASB Staff Position No. EITF 07-3, “Accounting for Nonrefundable Advance Payments for Goods or Services Received for use in Future Research and Development Activities” (“FSP EITF 07-3”), which addresses whether nonrefundable advance payments for goods or services that used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed. Management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*," ("*SAB 108*"),which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The Company adopted SAB 108 in the fourth quarter of 2006 with no impact on its financial statements.

Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented.

Research and Development

Research and development costs are expensed as incurred and reported as research and development expense.

Restricted Cash

The Company invested $3,060,000 of cash into a 30-day certificate of deposit at KeyBank, N.A. ("KeyBank") and entered into a $3,060,000 non-revolving one-year loan agreement with KeyBank on December 2, 2005 for the purpose of completing the initial closing of the BioCheck acquisition. The Company granted a security interest in its $3,060,000 certificate of deposit to KeyBank under the loan agreement. This loan agreement was subsequently transferred to Bridge Bank. Consequently, the certificate of deposit is classified as restricted cash on the consolidated balance sheet at December 31, 2006 as the cash is restricted as to use. In February 2007, the Company used the proceeds from the certificate of deposit to pay off the loan with Bridge Bank.

Revenue Recognition

Product Revenue

The Company manufactures, or has manufactured on a contract basis, research and clinical diagnostic assays and fine chemicals, which are its primary products sold to customers. Revenue from the sale of its products, including shipping fees, is recognized when title to the products is transferred to the customer which usually occurs upon shipment or delivery, depending upon the terms of the sales order and when collectibility is reasonably assured. Revenue from sales to distributors of its products is recognized, net of allowances, upon delivery of product to the distributors. According to the terms of individual distributor contracts, a distributor may return product up to a maximum amount and under certain conditions contained in its contract. Allowances are calculated based upon historical data, current economic conditions and the underlying contractual terms. The Company's mix of product sales are substantially at risk to market conditions and demand, which may change at anytime.

License Revenue

License arrangements may consist of non-refundable upfront license fees, exclusive licensed rights to patented or patent pending technology, and various performance or sales milestones and future product royalty payments. Some of these arrangements are multiple element arrangements.

Non-refundable, up-front fees that are not contingent on any future performance by us, and require no consequential continuing involvement on our part, are recognized as revenue when the license term commences and the licensed data, technology and/or compound is delivered We defer recognition of non-refundable upfront fees if we have continuing performance obligations without which the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee that is separate and independent of our performance under the other elements of the arrangement. In addition, if we have continuing involvement through research and development services that are required because our know-how and expertise related to the technology is proprietary to us, or can only be performed by us, then such up-front fees are deferred and recognized over the period of continuing involvement.

Payments related to substantive, performance-based milestones in a research and development arrangement are recognized as revenue upon the achievement of the milestones as specified in the underlying agreements when they represent the culmination of the earnings process.

Royalty Revenue

The Company recognizes royalty revenues from licensed products when earned in accordance with the terms of the license agreements. Net sales figures used for calculating royalties include deductions for costs of unsaleable returns, managed care chargebacks, cash discounts, freight and warehousing, and miscellaneous write-offs.

Segment Reporting

The Company operates in one reportable segment.

Use of Estimates

The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities revenues and expenses and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

2. Inventories

	December 31,	
	2007	**2006**
Raw materials	$ 129,000	$ 83,000
Work in process	174,000	110,000
Finished goods	217,000	368,000
	$ 520,000	$ 561,000

3. Property, Plant and Equipment

	December 31,	
	2007	2006
Laboratory and manufacturing equipment	$ 798,000	$ 798,000
Furniture and office equipment	225,000	225,000
Leasehold improvements	73,000	73,000
	1,096,000	1,096,000
Accumulated depreciation	(927,000)	(852,000)
	$ 169,000	$ 244,000

Depreciation expense was $75,000 and $63,000 during 2007 and 2006, respectively.

4. Patents

	December 31,	
	2007	2006
Capitalized patent costs	$ 963,000	$1,158,000
Accumulated amortization	(402,000)	(397,000)
	$ 561,000	$ 761,000

Periodically, the Company reviews its patent portfolio and has determined that certain patent applications no longer possessed commercial viability or were abandoned since they were inconsistent with the Company's business development strategy. At December 31, 2007, the Company wrote down $152,000 in net patent costs due to impairment of patents which is reported in research and development costs. Research and development expense includes patent amortization charges of $145,000 and $114,000 in 2007 and 2006, respectively.

The following table presents expected future amortization of patent costs that may change according to the Company's amortization policy upon additional patents being issued or allowed:

2008	$ 91,000
2009	74,000
2010	71,000
2011	71,000
2012	79,000
Thereafter	175,000
Total amortization	$ 561,000

5. Goodwill and Other Assets

	December 31,	
	2007	**2006**
Goodwill	$ 1,331,000	$ 1,199,000
Strategic investments	145,000	75,000
Lease deposits	24,000	17,000
	$ 1,500,000	$ 1,291,000

In connection with the acquisition of BioCheck, the Company recorded goodwill equal to the excess of the fair value of the consideration given over the estimated fair value of the assets and liabilities received. The goodwill was primarily attributed to the reputation of BioCheck's CEO and the cGMP/ISO 9000 compliant manufacturing facilities in Foster City, California. Strategic investments are investments by BioCheck in two private start-up companies. One of those companies has not yet commenced operations. The Company is aware of private sales in the other company's stock that exceeded the per share purchase price of its investment. Lease deposits are cash deposits held as security for facility leases in Foster City, California.

6. Debt

Note payable

On December 2, 2005, the Company entered into a non-revolving one-year loan agreement with KeyBank in the amount of $3,060,000, for the purpose of completing the initial closing of the BioCheck acquisition. The Company granted a security interest in its $3,060,000 certificate of deposit at KeyBank under the loan agreement. The loan bore interest at an annual rate that was 2.0% greater than the interest rate on the certificate of deposit. The Company’s $3,060,000 loan with KeyBank was repaid during February 2006 and a new one-year loan agreement was entered into with Bridge Bank. The Company has granted a security interest in its $3,060,000 certificate of deposit transferred from KeyBank to Bridge Bank. The loan bears interest at 3.0% and the certificate of deposit bears interest at 1.0%. This loan was repaid in full in February 2007.

On March 10, 2006, the Company received $200,000 in exchange for an unsecured promissory note in favor of the Company’s president and chief executive officer at that time. All principal and interest on this related party note were due on September 10, 2006. The executive, whose employment with the Company was terminated on September 15, 2006, sued the Company for payment of interest and principal due under the note. On November 2, 2006, the Company repaid the principal and accrued interest due on the promissory note in the amount of $209,000. The purpose of this loan was to provide the Company with short term financing as it sought longer term financing.

On March 31, 2006, the Company issued a $400,000 unsecured promissory note to Fagan Capital, Inc. (“Fagan Capital”). Interest accrued at an annual rate of 8.0% and interest and principal were initially due on June 2, 2006. The purpose of this loan was to provide the Company with short term financing as it sought longer term financing. On July 26, 2006, Fagan Capital extended the maturity date of the promissory note by entering into a renewal and modification promissory note (“Renewal Note”). The Renewal Note had a principal amount of $406,000, comprised of the principal amount of the original promissory note plus accrued interest of $6,000. The effective date of the Renewal Note was June 2, 2006. On October 25, 2006, the Company paid to Fagan Capital amounts owing under the Renewal Note.

In conjunction with the issuance of the Renewal Note, on July 26, 2006 the Company issued to Fagan Capital a common stock purchase warrant to purchase 1,158,857 shares of common stock at an initial exercise price of $0.35 per share. The exercise price is adjustable pursuant to certain anti-dilution provisions and upon the occurrence of a stock split. The common stock purchase warrant expires on June 1, 2014. On October 23, 2006, the parties signed a registration rights agreement covering the shares underlying the common stock purchase warrant. This warrant was valued using the Black-Scholes option-pricing model and the proceeds of $406,000 were allocated to the warrant and note based on their relative fair values. This resulted in the note being recorded as a liability at a discounted value of $240,000 and the warrant being recorded as equity under additional paid-in capital at a value of $166,000. The discounted note will accrete to its maturity value over the life of the loan. This resulted in a non-cash interest expense of $166,000 during the year ended December 31, 2006.

Convertible debentures

On October 25, 2006, the Company entered into a securities purchase agreement ("Purchase Agreement") with four accredited investors (the "Purchasers"). In conjunction with the signing of the Purchase Agreement, the Company issued secured convertible debentures ("Debentures") and Series A, B, C, D, and E common stock warrants ("Warrants") to the Purchasers, and the parties also entered into a registration rights agreement and a security agreement (collectively, the "Transaction Documents").

Pursuant to the terms of the Purchase Agreement, the Company issued the Debentures in an aggregate principal amount of $1,694,250 to the Purchasers. The Debentures are subject to an original issue discount of 20.318% resulting in proceeds to the Company of $1,350,000 from the transaction. The Debentures mature on October 25, 2008, but may be prepaid by the Company at any time provided that the common stock issuable upon conversion and exercise of the Warrants is covered by an effective registration statement. The Debentures are convertible, at the option of the Purchasers, at any time, into shares of common stock at $0.35 per share, as adjusted pursuant to a full ratchet anti-dilution provision (the "Conversion Price"). Beginning on the first of the month beginning February 1, 2007, the Company was required to amortize the Debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date (the "Monthly Redemption Amounts"). The Monthly Redemption Amounts can be paid in cash or in shares, subject to certain restrictions. If the Company chooses to make any Monthly Redemption Amount payment in shares of common stock, the price per share is the lesser of the Conversion Price then in effect and 85% of the weighted average price for the 10 trading days prior to the due date of the Monthly Redemption Amount.

The Company has not made required monthly redemption payments beginning on February 1, 2007 to purchasers of debentures issued in October 2006. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If the Company fails to make such payment in full, the purchasers have the right sell substantially all of the Company's assets pursuant to their security interest to satisfy any such unpaid balance. The Monthly Redemption Amount is approximately $85,000 and as of March 1, 2008 the Company was 14 months behind. The Company would have to issue approximately 6,839,271 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totaling approximately $904,000 in arrears. The Company cannot give any assurance that the debenture holders will continue to forbear from enforcing the terms applicable in the case of default.

Pursuant to the Debentures, the Company covenants that it will not incur additional indebtedness for borrowed money, other than its current Bridge Bank promissory note. The Company also covenants that it will not pledge, grant or convey any new liens on its assets. The obligation to pay all unpaid principal will be accelerated upon an event of default, including upon failure to perform its obligations under the Debenture covenants, failure to make required payments, default on any of the Transaction Documents or any other material agreement, lease, document or instrument to which the Company is obligated, the bankruptcy of the Company or related events. The Purchasers have a right of first refusal to participate in up to 100% of any future financing undertaken by the Company until the later of the date that the Debentures are no longer outstanding and the one year anniversary of the effective date of the registration statement. The Company was restricted from issuing shares of common stock or instruments convertible into common stock for 90 days after the effective date of the registration statement with certain exceptions. The Company is also prohibited from effecting any subsequent financing involving a variable rate transaction until such time as no Purchaser holds any of the Debentures. In addition, until such time as any Purchaser holds any of the securities issued in the Debenture transaction, if the Company issues or sells any common stock or instruments convertible into common stock which a Purchaser reasonably believes is on terms more favorable to such investors than the terms pursuant to the Transaction Documents, the Company is obligated to amend the terms of the Transaction Documents to such Purchaser the benefit of such better terms. The Company may prepay the entire outstanding principal amount of the Debentures, plus accrued interest and other amounts payable, at its option at any time without penalty, provided that a registration statement is available for the resale of shares underlying the Debentures and Warrants, as more fully described in the Debentures. The purpose of this Debenture transaction is to provide the corporation with intermediate term financing as it seeks longer term financing.

On October 25, 2006, in conjunction with the signing of the Purchase Agreement, the Company issued to the Purchasers five year Series A Warrants to purchase an aggregate of 2,420,357 shares of common stock at an initial exercise price of $0.35 per share, one year Series B Warrants to purchase 2,420,357 shares of common stock at an initial exercise price of $0.385 per share, and two year Series C Warrants to purchase an aggregate of 4,840,714 shares of common stock at an initial exercise price of $0.35 per share. In addition, the Company issued to the Purchasers Series D and E Warrants which become exercisable on a pro-rata basis only upon the exercise of the Series C Warrants. The six year Series D Warrants to purchase 2,420,357 shares of common stock have an initial exercise price of $0.35 per share. The six year Series E Warrants to purchase 2,420,357 shares of common stock have an initial exercise price of $0.385 per share. The initial exercise prices for each warrant are adjustable pursuant to a full ratchet anti-dilution provision and upon the occurrence of a stock split or a related event.

Pursuant to the registration rights agreement, the Company was obligated to file a registration statement covering the public resale of the shares underlying the Series A, B, C, D and E Warrants and the Debentures within 45 days of the closing of the transaction and cause the registration to be declared effective within 120 days of the closing date. The registration statement was filed and declared effective within the 120 of the closing date. Cash liquidated damages equal to 2% of the face value of the Debentures per month are payable to the purchasers for any failure to timely file or obtain an effective registration statement.

Pursuant to the Security Agreement, the Company agreed to grant the purchasers, pari passu, a security interest in substantially all of the Company’s assets. The Company also agreed to pledge its respective ownership interests in its wholly-owned subsidiaries, OXIS Therapeutics, OXIS Isle of Man, and its partial subsidiary, BioCheck, Inc. In addition, OXIS Therapeutics and OXIS Isle of Man each provided a subsidiary guarantee to the Purchasers in connection with the transaction.

Per EITF 00-19, paragraph 4, these convertible debentures do not meet the definition of a “conventional convertible debt instrument” since the debt is not convertible into a fixed number of shares. The Monthly Redemption Amounts can be paid with common stock at a conversion price that is a percentage of the market price; therefore the number of shares that could be required to be delivered upon “net-share settlement” is essentially indeterminate. Therefore, the convertible debenture is considered “non-conventional,” which means that the conversion feature must be bifurcated from the debt and shown as a separate derivative liability. This beneficial conversion liability has been calculated to be $690,000 on October 25, 2006. In addition, since the convertible debenture is convertible into an indeterminate number of shares of common stock, it is assumed that the Company could never have enough authorized and unissued shares to settle the conversion of the warrants issues in this transaction into common stock. Therefore, the warrants issued in connection with this transaction have a fair value of $2,334,000 at October 20, 2006. The value of the warrant was calculated using the Black-Scholes model using the following assumptions: Discount rate of 4.5%, volatility of 158% and expected term of 1 to 6 years. The fair value of the beneficial conversion feature and the warrant liability will be adjusted to fair value on each balance sheet date with the change being shown as a component of net loss.

The fair value of the beneficial conversion feature and the warrants at the inception of these convertible debentures were $690,000 and $2,334,000, respectively. The first $1,350,000 of these discounts has been shown as a discount to the convertible debentures which will be amortized over the term of the convertible debenture and the excess of $1,674,000 has been shown as financing costs in the accompanying statement of operations.

At December 31, 2007, the Company determined the fair value of the beneficial conversion feature and the warrants were $89,000 and $244,000, respectively. The aggregate decrease in fair value of these two liabilities from inception of the convertible debentures to December 31, 2007 of $2,659,000 is shown as other income in the accompanying consolidated statements of operations. The fair value of beneficial conversion feature and the warrants will be determined at each balance sheet date with the change from the prior period being reported as other income (expense). At December 31, 2006, the Company determined the fair value of the beneficial conversion feature and the warrants were $678,000 and $2,314,000, respectively. The aggregate decrease in fair value of these two liabilities from inception of the convertible debentures to December 31, 2006 of $32,000 is shown as other income in the accompanying consolidated statements of operations. The fair value of beneficial conversion feature and the warrants will be determined at each balance sheet date with the change from the prior period being reported as other income (expense).

7. Commitments and Contingencies

The following table presents future non-cancelable minimum payments under all of the Company's operating leases at December 31, 2007:

	Operating Leases		
	Minimum Rental	Sublease Rental	Net Rental Payments
2008	501,000	(44,000)	457,000
2009	454,000	-	454,000
	$ 955,000	$ (44,000)	$ 911,000

The Company leases a facility under an operating lease in Foster City, California that expires in 2009. Rental expenses of $502,000 and $390,000 were incurred during 2007 and 2006, respectively. During 2004, BioCheck entered into a sublease of an unused Foster City, California facility to the end of the lease term that reduced the Company's operating lease commitments.

On September 19, 2005, the Company entered into a stock purchase agreement with BioCheck, and its stockholders to purchase all of its common stock for $6.0 million in cash. On December 6, 2005, the Company purchased 51% (subsequently purchased another 2%) of the common stock of BioCheck. Pursuant to the stock purchase agreement, the Company will use its reasonable best efforts to consummate a follow-on financing transaction to raise additional capital with which to purchase the remaining outstanding shares of BioCheck in one or more additional closings. The purchase price for the remaining shares will be increased by an additional 8% per annum from December 6, 2005. If the Company has not purchased all of the outstanding shares of BioCheck within twelve months of December 6, 2005, the earnings before interest, taxes, depreciation and amortization expenses, if any, of BioCheck, will be used to repurchase the remaining outstanding BioCheck shares at one or more additional closings.

In 1995, the Company consummated the acquisition of Therox Pharmaceuticals, Inc. (“Therox”) wherein Therox was merged with and into a wholly owned subsidiary of the Company. In addition to the issuance of its common stock to Therox shareholders, the Company agreed to make payments of up to $2,000,000 to the Therox stockholders based on the successful commercialization of Therox technologies. As of December 31, 2007, no additional payments have been made. The Company has not recorded a liability associated with this agreement because the Company does not believe that it has successfully commercialized any of the acquired Therox technologies.

The Company and its subsidiaries are also parties to various other claims in the ordinary course of business. The Company does not believe that there will be any material impact on the Company's financial position, results of operations or cash flows as a result of these claims.

8. Stockholders' Equity

Common Stock

Each share of common stock is entitled to one vote at the Company's annual meeting of stockholders.

The Company’s chief executive officer, a director and shareholder, Dr. Hausman, was issued 330,769 shares of common stock on October 12, 2006, as payment for compensation and expenses owed by us to NW Medical Research Partners, Inc., of which Dr. Hausman is the sole member and manager. The amount owed was $67,000, and the shares were valued at approximately $0.204 per share. In November 2006, the Company also issued to Dr. Hausman a total of 916,666 shares of common stock valued at $174,000 for payment for salary, bonus and office allowance.

On November 6, 2006, the Company entered into a consulting agreement with Dr. Repine (“Repine Consulting Agreement”), under which the Company issued 50,000 shares of common stock to Dr. Repine for payment of consulting services valued at $9,000.

In addition to the shares issued above to officers and directors of the Company, during the year ended December 31, 2007, the Company issued a total of 240,000 shares of common stock for services and accounts payable valued at $24,000.

Preferred Stock

During the third quarter of 2005, 85,678 shares of common stock were issued for the conversion and cancellation of all 428,389 outstanding shares of Series B preferred stock that were valued at $4,000. The Series B preferred stock had certain preferential rights with respect to liquidation and dividends. Holders of Series B preferred stock were entitled to noncumulative annual dividends at the rate of $0.115 per share if and when declared by the Company's board of directors. No dividends to Series B preferred stockholders were issued or unpaid during 2007 or 2006.

The 96,230 shares of Series C preferred stock are convertible into 27,800 shares of the Company's common stock at the option of the holders at any time. The conversion ratio is based on the average closing bid price of the common stock for the fifteen consecutive trading days ending on the date immediately preceding the date notice of conversion is given, but cannot be less than .20 or more than .2889 common shares for each Series C preferred share. The conversion ratio may be adjusted under certain circumstances such as stock splits or stock dividends. The Company has the right to automatically convert the Series C preferred stock into common stock if the Company lists its shares of common stock on the Nasdaq National Market and the average closing bid price of the Company's common stock on the Nasdaq National Market for 15 consecutive trading days exceeds $13.00. Each share of Series C preferred stock is entitled to the number of votes equal to .26 divided by the average closing bid price of the Company's common stock during the fifteen consecutive trading days immediately prior to the date such shares of Series C preferred stock were purchased. In the event of liquidation, the holders of the Series C preferred stock shall participate on an equal basis with the holders of the common stock (as if the Series C preferred stock had converted into common stock) in any distribution of any of the assets or surplus funds of the Company. The holders of Series C preferred stock are entitled to noncumulative dividends if and when declared by the Company's board of directors. No dividends to Series C preferred stockholders were issued or unpaid during 2007 and 2006.

Common Stock Warrants

The Company reserved 1,472,969 shares of common stock for issuance upon the exercise of a warrants granted in connection with the Company's January 14, 2004 promissory convertible notes. Warrants to purchase 712,500 shares of common stock are currently exercisable at $0.50 per share and expire on January 14, 2009. The exercise price is subject to adjustments for stock splits, combinations, reclassifications and similar events. As of December 31, 2007, no such adjustments have occurred. Certain piggy-back registration rights apply to the shares underlying these warrants.

On December 30, 2004, as an incentive for the seven lenders to convert their notes to common stock, the Company issued additional warrants that are currently exercisable to purchase 760,469 shares of common stock at an exercise price of $1.00 per share that expire on December 29, 2009. The exercise prices are subject to adjustments for stock splits, combinations, reclassifications and similar events. As of December 31, 2007, these warrants remain unexercised. The fair value of the shares issuable under these warrants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected volatility of 73%; risk-free interest rate of 4.25%; initial expected life of five years and no expected dividend yield. The resulting fair values of $159,000 related to the initial warrants and $202,000 related to the incentive warrants were recorded during 2004 as financing fees in the consolidated statement of operations.

The Company reserved 12,877,366 shares of common stock for issuance upon the exercise of warrants granted on January 6, 2005 in connection with the Company's private placement of common stock. The warrants are currently exercisable at an exercise price of $0.66 per share to purchase 6,438,685 shares of common stock and $1.00 per share to purchase 6,438,681 shares of common stock. The exercise prices are subject to adjustments for stock splits, combinations, reclassifications and similar events, and the warrants expire on January 6, 2010. As of December 31, 2007, these warrants remain unexercised. The Company has granted the warrant holder certain registration rights with respect to the shares issuable upon exercise of the warrant.

In conjunction with the issuance of the Renewal Note, on July 26, 2006 (See Note 6) the Company issued to Fagan Capital a common stock purchase warrant to purchase 1,158,857 shares of common stock at an initial exercise price of $0.35 per share. The exercise price is adjustable pursuant to certain anti-dilution provisions and upon the occurrence of a stock split. The common stock purchase warrant expires on June 1, 2014. In connection with an anti-dilution in this warrant agreement, the Company was required to issue an additional 1,094,476 warrants to Fagan Capital bring the total to 2,253,333. In addition the Company was required to reduce the exercise price from $0.35 to $0.18. In connection with the issuance of these additional warrants and the re-pricing of the old warrants, the Company took a charge to earnings during the year ended December 31, 2006 of $210,000.

On October 25, 2006, in conjunction with the signing of the Purchase Agreement (See Note 6), the Company issued to the Purchasers five year Series A Warrants to purchase an aggregate of 2,420,357 shares of common stock at an initial exercise price of $0.35 per share, one year Series B Warrants to purchase 2,420,357 shares of common stock at an initial exercise price of $0.385 per share, and two year Series C Warrants to purchase an aggregate of 4,840,714 shares of common stock at an initial exercise price of $0.35 per share. In addition, the Company issued to the Purchasers Series D and E Warrants which become exercisable on a pro-rata basis only upon the exercise of the Series C Warrants. The six year Series D Warrants to purchase 2,420,357 shares of common stock have an initial exercise price of $0.35 per share. The six year Series E Warrants to purchase 2,420,357 shares of common stock have an initial exercise price of $0.385 per share. The initial exercise prices for each warrant are adjustable pursuant to a full ratchet anti-dilution provision and upon the occurrence of a stock split or a related event.

On May 12, 2006, the Company issued a total of 108,000 warrants to a Company that is controlled by a director of the Company with an exercise price of $0.39. These warrants expire on May 12, 2016 and vested over one year. The fair value of these warrants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected volatility of 90%; risk-free interest rate of 4.6%; initial expected life of five years and no expected dividend yield. The fair value of these warrants is being recognized as an expense as the warrants vest. For the years ended December 31, 2007 and 2006, the Company recognized expenses of $3,000 and $23,000, respectively, related to the vesting of these warrants.

On November 6, 2006, the Company issued a total of 2,749,441 warrants to directors of the Company with an exercise price of $0.20. These warrants expire on November 6, 2016 and vesting ranges from immediately to four years. The fair value of these warrants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected volatility of 158%; risk-free interest rate of 5.0%; initial expected life of five years and no expected dividend yield. The fair value of these warrants is being recognized as an expense as the warrants vest. For the years ended December 31, 2007 and 2006, the Company recognized expenses of $166,000 and $312,000, respectively, related to the vesting of these warrants.

As of December 31, 2007, the Company had 31,562,895 warrants outstanding. The following table summarizes all outstanding stock warrants:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2005	14,717,835	$ 0.83
Granted	19,632,917	0.32
Exercised	-	-
Forfeited	-	-
Outstanding, December 31, 2006	34,350,752	0.54
Granted	-	-
Exercised	-	-
Forfeited	(2,787,857)	0.47
Outstanding, December 31, 2007	31,562,895	$ 0.54
Exercisable warrants:		
December 31, 2006	34,017,419	$ 0.54
December 31, 2007	31,287,895	$ 0.54

Stock Options

The Company has reserved 4,701,412 shares of its common stock at December 31, 2007 for issuance under the 2003 Stock Incentive Plan (the “2003 Plan”). The 2003 Plan, approved by stockholders at the 2003 annual meeting, permits the Company to grant stock options to acquire shares of the Company's common stock, award stock bonuses of the Company's common stock, and grant stock appreciation rights. At December 31, 2007, 1,157,812 shares of common stock were available for grant and options to purchase 3,543,600 shares of common stock are outstanding under the 2003 Plan.

The Company has reserved 336,672 shares of its common stock at December 31, 2007 for issuance pursuant to the future exercise of outstanding options granted under the 1994 Stock Incentive Plan (the “1994 Plan”). The 1994 Plan permitted the Company to grant stock options to acquire shares of the Company's common stock, award stock bonuses of the Company's common stock, and grant stock appreciation rights. This Plan expired on April 30, 2003 and no further issuances will occur. Options to purchase 336,972 shares of common stock are outstanding at December 31, 2006 under the 1994 Plan.

In addition, the Company has reserved 1,400,000 shares of its common stock for issuance outside of its stock incentive plans. At December 31, 2007, options to purchase 1,400,000 shares of common stock are outstanding outside of its stock incentive plans.

The following table summarizes all outstanding stock options:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2005	$ 6,377,790	$ 0.60
Granted	1,884,370	0.30
Exercised	(528,588)	0.13
Forfeited	(2,126,183)	1.07
Outstanding, December 31, 2006	5,607,389	0.33
Granted	80,000	0.20
Exercised	-	-
Forfeited	(407,117)	0.50
Outstanding, December 31, 2007	5,280,272	$ 0.32
Exercisable options:		
December 31, 2006	$ 2,271,576	$ 0.42
December 31, 2007	$ 4,404,272	$ 0.34

The weighted-average fair value of options granted was $0.22 and $0.24 in 2007 and 2006, respectively.

The following table summarizes outstanding stock options approved and not approved by stockholders:

	Options Approved by Stockholders	Options Not Approved by Stockholders	Total Outstanding Options
Outstanding options:			
December 31, 2006	2,578,019	3,029,370	5,607,389
December 31, 2007	3,880,272	1,400,000	5,280,272

The following table summarizes information about all outstanding and exercisable stock options at December 31, 2007:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
$0.10 to $0.15	318,000	0.79	$0.14	303,000	$0.14
$0.20 to $0.47	4,589,592	6.65	$0.28	3,728,592	$0.29
$0.53 to $0.88	294,730	6.17	$0.62	294,730	$0.62
$1.38 to $3.44	77,950	1.49	$2.40	77,950	$2.40
	5,280,272			4,404,272	

Under the Repine Consulting Agreement, as compensation we granted Dr. Repine a ten year stock option to purchase 200,000 shares of our common stock at an exercise price of $0.20 per share, vesting as follows: (i) 100,000 option shares vesting in four equal quarterly installments commencing on January 15, 2007 and every three months thereafter and (ii) and the remaining 100,000 option shares vesting in eight quarterly installments over two years. Additionally, we granted Dr. Repine, as a sign on bonus, a non-qualified option to purchase 200,000 shares at exercise price of $0.20 per share, with vesting in six equal installments, commencing on November 14, 2006, through the 180th day after the commencement date of October 15, 2006.

On November 6, 2006, OXIS entered into an Advisory Agreement with Ambient Advisors LLC (the "Advisor"). Gary M. Post, a member of the board of directors, is the manager of Ambient Advisors LLC. The commencement date of the agreement was set retroactively at October 15, 2006 (the "Commencement Date"). Pursuant to the Advisory Agreement, the Advisor provides certain services pertaining to strategic planning, financial planning and budgeting, investor relations, corporate finance and such additional roles and responsibilities as requested for a three year period from the Commencement Date, thereafter on a one year basis. The Advisor will receive annual compensation in the amount of $83,333, payable quarterly in advance in cash, common stock based on a price equal to 85% of average of the five closing prices for the five trading days prior to the date that the issuance is authorized by the Board of Directors, or in ten year warrants equal to that number of warrants equal to 1.5 times the number of shares that would otherwise be received. For the initial quarterly payment, the Advisor received a ten year warrant to purchase 173,608 shares with an exercise price of $0.20 per share, vesting immediately. As part of the compensation under the Advisory Agreement, OXIS granted the Advisor a ten year common stock purchase warrant to purchase 550,000 shares of OXIS common stock at an exercise price of $0.20 per share, vesting as follows: (i) 275,000 warrants vesting in four equal quarterly installments commencing on January 15, 2007 and every three months thereafter and (ii) and the remaining 275,000 warrants vesting in eight quarterly installments over the following two years. Additionally, OXIS granted the Advisor, as a sign on bonus, a non-qualified option to purchase 333,333 shares at exercise price of $0.20 per share, with vesting in six equal installments, commencing on November 14, 2006, through the 180 th day after the Commencement Date. During the three year term of the agreement, the Advisor shall receive an annual bonus based upon the attainment of agreed upon goals and milestones as determined by the Board of Directors and its Compensation Committee. During the remainder of calendar year 2006, the Advisor's bonus has been pro rated on an annual bonus rate in the range of 25% to 50% of the advisory fee, and the bonus for subsequent years of the term of the agreement shall be in a similar target range. The bonuses payable are paid in cash, although at the Advisor's sole option, they may be paid in stock (or in the form of ten year warrants with cashless exercise provisions, with 1.5 times the number of warrants to be issued in lieu of the number of shares of common stock), based upon the average of the closing bid and asked prices for the 5 trading days immediately prior to the awarding to the Advisor of the bonus for a particular year.

On November 6, 2006, the Company entered into an executive employment agreement with Dr. Hausman ("Hausman Employment Agreement"), under which Dr. Hausman was granted a ten year a non-qualified option to purchase 495,000 shares of the Company common stock at an exercise price of $0.20 per share, vesting as follows: (i) 247,500 option shares vesting in four equal quarterly installments commencing on January 15, 2007 and every three months thereafter and (ii) and the remaining 247,500 option shares vesting in eight quarterly installments over two years (the "Initial Option Grant"). Additionally, the Company granted Dr. Hausman, as a sign on bonus, 500,000 restricted shares of common stock and a ten year common stock purchase warrant to purchase 1,505,000 shares at an exercise price of $0.20 per share, with vesting in six equal installments, commencing on November 14, 2006, through the 180th day after the Commencement Date.

Stock Compensation

The fair values of employee stock options are estimated for the calculation of the pro forma adjustments in the above table at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions during 2007 and 2006: expected volatility of 176% and 158%, respectively; average risk-free interest rate of 5.0% and 4.9%, respectively; initial expected life of 9.0 years and 4.45 years, respectively; no expected dividend yield; and amortized over the vesting period of typically one to four years.

The Company undertook a comprehensive study of options issued over the life of the Company's option plans to determine historical patterns of options being exercised and forfeited. The results of this study were used as a source to estimate expected life and forfeiture rates. The new estimated life of 4.45 years was applied only to determine the fair value of awards issued after January 1, 2006. The estimated forfeiture rate of 40% was applied to all awards that vested after January 1, 2006, including awards issued prior to that date, to determine awards expected to be exercised.

The Company granted options to consultants to purchase 50,000 shares of the Company's common stock in 2006. No options were granted to consultants in 2007. The exercise prices per share for options granted were $0.40 in 2006. The options have a 10-year life and vest over periods ranging from one to three years. The fair value of each option was estimated on the date of grant and revalued during the vesting period using the Black-Scholes option-pricing model with the following weighted-average assumptions during 2006: expected volatility of 90%; average risk-free interest rate of 4.64%; initial expected life of ten years; and no expected dividend yield. Stock compensation expense of $1,000 and $6,000 was recorded in 2007 and 2006, respectively.

Future Warrants and Options Issuable to Consultants

Under the Ambient Advisory Agreement with Ambient Advisors, During the three year term of the agreement, Ambient Advisors will receive an annual bonus based upon the attainment of agreed upon goals and milestones as determined by our board of directors or compensation committee. During the remainder of calendar year 2007, Ambient Advisors' bonus will be pro rated on an annual bonus rate in the range of 25% to 50% of the advisory fee, and the bonus for subsequent years of the term of the agreement will be in a similar target range. The bonuses payable under our agreement with Ambient Advisors will be paid in cash, although at Ambient Advisors' sole option, they may elect to receive compensation in stock (or in the form of ten year warrants with cashless exercise provisions, with 1.5 times the number of warrant shares to be issued in lieu of the number of shares of common stock), based upon the average of the closing bid and asked prices for the 5 trading days immediately prior to the awarding to Ambient Advisors of the bonus for a particular year.

Under the Repine Consulting Agreement, Dr. Repine is eligible to receive annual and special bonuses based upon the attainment of agreed upon goals and milestones as determined by our Chief Executive Officer. Each bonus payable will be paid in cash, although at Dr. Repine's sole option, such bonus may be paid in stock (or in the form of ten year warrants with cashless exercise provisions, with 1.5 times the number of warrant shares to be issued in lieu of the number of shares of common stock), based upon the average of the closing bid and asked prices for the 5 trading days immediately prior to the awarding to Dr. Repine of the particular bonus.

Under the Hausman Employment Agreement, Dr. Hausman will receive annual compensation in the amount of $250,000, payable quarterly in advance in cash, common stock based on a price equal to 85% of average of the five closing prices for the five trading days prior to the date that the issuance was first authorized by the Board of Directors in November 2006, or in ten year warrants equal to that number of warrants equal to 1.5 times the number of shares that would otherwise be received. For the initial quarterly payment, Dr. Hausman was issued 347,222 restricted shares of common stock. During the three year term of the agreement, Dr. Hausman shall receive an annual bonus based upon the attainment of agreed upon goals and milestones as determined by the Board of Directors and its Compensation Committee. The bonuses payable hereunder shall be paid in cash, although at Dr. Hausman's sole option, they may be paid in stock (or in the form of ten year warrants with cashless exercise provisions, with 1.5 times the number of warrant shares to be issued in lieu of the number of shares of common stock), based upon the average of the closing bid and asked prices for the 5 trading days immediately prior to the awarding to Dr. Hausman of the bonus for a particular year. Once the Company has raised at least $2.5 million in one or more financings (equity, debt or convertible debt, in addition to the financing closed on October 25, 2006) or in a strategic transaction (in each case, a Qualifying Financing), Dr. Hausman may elect, at any time, in lieu of receiving a quarterly issuance of stock (or warrants in lieu thereof), to receive his base salary in cash, payable monthly on the Company's regular pay cycle for professional employees.

9. Income Taxes

The Company and BioCheck will file separate federal and state tax returns for 2007 and will continue to file separate tax returns until the Company purchases 80% or more of BioCheck. Deferred tax assets and liabilities as contained on the consolidated balance sheet at December 31, 2007 are attributed solely to BioCheck. The current tax provision for the year ended December 31, 2007 of $105,000 is solely attributed to BioCheck.

Deferred Taxes

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and operating losses and tax credit carryforwards. The significant components of net deferred income tax assets for the Company excluding BioCheck are:

	December 31,	
	2007	**2006**
Deferred tax assets:		
Federal net operating loss carryforward	$ 7,172,000	$ 6,589,000
Temporary deferred tax asset caused by capitalized research and development expenses	5,883,000	5,883,000
Federal R&D tax credit carryforward	217,000	235,000
State net operating loss carryforward and capitalized research and development expenses	1,404,000	1,464,000
Other	80,000	80,000
Deferred tax liabilities - book basis in excess and of noncurrent assets acquired in purchase transactions	(142,000)	(142,000)
Deferred tax assets before valuation	14,614,000	14,109,000
Valuation allowance	(14,614,000)	(14,109,000)
Net deferred income tax assets	$ --	$ --

The prospective tax benefits of the net operating losses of $15,410,000 which existed at the date of acquisition (September 7, 1994) of the French subsidiary will be recorded as a reduction of income tax expense when and if realized. Due to the closure of the French subsidiary's operations in early 1999, it is unlikely that the Company will ever realize any benefit from the French subsidiary's operating loss carryforwards.

The prospective tax benefits of the net operating losses of $1,032,000 which existed at the date of acquisition (December 31, 1997) of Innovative Medical Systems Corp. will be recorded as a reduction of the net unamortized balance of property, plant and equipment and intangible assets of $465,000 when and if realized.

Statement of Financial Accounting Standards No. 109 requires that the tax benefit of net operating losses, temporary differences and credit carryforwards 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 the Company's ability to generate sufficient taxable income within the carryforward period. Because of the Company's history of operating losses, management has provided a valuation allowance equal to its net deferred tax assets. The change in deferred tax assets and the related valuation allowance at December 31, 2007 was $505,000 and primarily related to the net increase in net operating losses and decrease in capitalized research and development expense.

Tax Carryforward

At December 31, 2007, the Company had net operating loss carryforwards of approximately $21,087,000 to reduce United States federal taxable income in future years, and research and development tax credit carryforwards of $217,000 to reduce United States federal taxes in future years. These carryforwards expire as follows:

Year of Expiration	United States Net Operating Loss Carryforward	R&D Tax Credit Carryforward
2008	$ 675,000	$ 6,000
2009	-	30,000
2010	29,000	-
2011	49,000	-
2012-2027	20,334,000	181,000
	$ 21,087,000	$ 217,000

During 2002, the Company issued preferred stock with voting rights, which would be regarded as a control change under the Internal Revenue Code (IRC). Under IRC Section 382, a control change will limit the utilization of the net operating losses. The Company has not determined the effects of any limitations on the value of net operating losses or any tax credits outstanding prior to the control change. In addition, any future control change may further limit the extent to which the net operating loss carryforwards can be used to offset future taxable income.

10. License Agreement

On September 28, 2004, the Company and HaptoGuard Inc, which merged with Alteon, Inc. in 2006 ("Alteon") entered into a license agreement relating to the Company's proprietary compound BXT 51072 and related compounds. Under the agreement, Alteon has exclusive worldwide rights to develop, manufacture and market BXT-51072 and related compounds from the Company's library of such antioxidant compounds. Further, Alteon is responsible for worldwide product development programs with respect to licensed compounds. Alteon has paid the Company an upfront license fee of $500,000. The agreement provides that Alteon must pay royalties to the Company, as well as additional fees for the achievement of development milestones in excess of $21 million if all milestones are met and regulatory approvals are granted. The material milestones under the agreement which would generate future payments are as follows: upon initiation of Phase III clinical trials of the products; upon grant by the Food and Drug Administration (FDA) of marketing approval of the products; upon grant by the European Agency for the Evaluation of Medicinal Products (EMEA) for marketing approval of the products; and upon grant of marketing approval of the products for each additional regulatory territory. The royalties paid by the licensee will begin upon the first commercial sale of the licensed products and will vary based upon formulations. The Company has the right to terminate the agreement if the licensee fails to pay the Company any required payments under the agreement or if the licensee fails to comply with certain plan and timeline requirements relating to the development of the licensed compounds and such failure continues for 30 days after the Company has given notice to the licensee of such failure. Either party may terminate the agreement upon 30 days' written notice upon certain events relating to the other party's bankruptcy, insolvency, dissolution, winding up or assignment for the benefit of creditors, or upon the other party's uncured breach of any material provision of the agreement. Otherwise, the agreement terminates when the Company's underlying patents related to the licensed compounds expire.

During December 2005, the Company granted Alteon a six-month extension to begin Phase II, as defined in the original license agreement in exchange for $100,000.

On April 2, 2007, the Company entered into an Amended and Restated Exclusive License Agreement with Alteon, under which the Company granted Alteon worldwide exclusive rights to a family of orally bioavailable organoselenium compounds that have demonstrated potent anti-oxidant and anti-inflammatory properties in clinical and preclinical studies. In July 2007 Alteon changed its name to Synvista Therapeutics, Inc. Previously, OXIS was a party to a license agreement dated September 28, 2004 with HaptoGuard, Inc., which was subsequently acquired by Alteon. The amended and restated exclusive license agreement supercedes and replaces the prior agreement with HaptoGuard. The new agreement expands the scope of the original agreement to also include non-cardiovascular indications.

Under the new agreement, Alteon agreed to invest a minimum of $7.5 million over a three-year period following the effective date of the agreement, in its development program for the development, discovery and manufacture of licensed products based on the processes and compounds covered under the license. Alteon agreed to pay the Company a non-refundable sum of $500,000, payable in six monthly installments of $50,000, with the remaining $200,000 payable upon the closing of a financing of Alteon approved by Alteon's shareholders. As of December 31, 2007, the Company has received the full $500,000 license fee.

The agreement also provides for milestone payments to us upon certain significant milestone events in the development of a potential drug product. The agreement also entitles the Company to various levels of sublicensing fees and royalties based on a percentage of net sales of the licensed product.

As part of the agreement, Alteon agreed to make an equity investment in the Company's common stock, at a per-share price equal to 125% of the trading price on the trading day immediately prior to such purchase, and no less than $0.24 per share. On August 3, 2007, Alteon purchased 2,083,333 shares at $0.24 per share resulting in net proceeds to the Company of $500,000.

The agreement is terminable for cause by either party, by Alteon with or without cause with 180 days' prior written notice, or by the Company if Alteon does not make timely payments under the license.

11. Geographical Reporting

Revenues attributed to North America include shipments to customers in the United States, Canada and Mexico. Revenues attributed to EMEA include shipments to customers in Europe, Middle East and Africa. Revenues from shipments to customers by geographical region are as follows:

	Year Ended December 31,	
	2007	2006
North America	$2,154,000	$2,173,000
EMEA	1,802,000	1,607,000
Latin America	591,000	523,000
Asia Pacific	1,336,000	1,332,000
Other Countries	166,000	141,000
Total	$6,049,000	$5,776,000

None of the Company's consolidated long-lived assets were located outside of the United States.

12. Supplemental Cash Flow Disclosures

The Company granted options to consultants to purchase 30,000 and 50,000 shares of the Company's common stock in 2007 and 2006, respectively. Stock compensation expense of $3,000 and $6,000 was recorded in 2007 and 2006, respectively. Cash interest paid was $10,000 and $5,000 in 2007 and 2006, respectively.

13. Related Party Transactions

On March 8, 2007, the Company entered into a Confidential Separation Agreement (dated February 12, 2007) with Steve Guillen, under which the Company agreed to pay Mr. Guillen the sum of $250,000 in monthly installments of $10,000 each, subject to standard payroll deductions and withholdings. The Company also agreed to pay Mr. Guillen's health insurance premiums for a twelve-month separation period in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985. During the year ended December 31, 2007, OXIS paid Mr. Guillen $135,450, including compensation and health insurance premiums. The separation agreement also provides that in the event the Company obtains additional financing in the amount of $1 million or more after February 12, 2007, whether in one transaction or multiple transactions and whether in the form of debt or equity, or in the event of a change in control as defined in the employment agreement between us and Mr. Guillen, then no later than 10 days thereafter, we shall pay Mr. Guillen an amount equal to $10,833.33 multiplied by the number of months that he has been paid $10,000 toward the separation benefit (the "First Catch-Up Payment"), and thereafter will be paid $20,833.33 per month, provided that the total separation benefit, including any Catch-Up Payment, shall not exceed $250,000. In the event that the total additional financing received after February 12, 2007 reaches $2 million or more, then no later than 10 days thereafter, the Company shall pay Mr. Guillen up to an additional $104,166.65 (the "Second Catch-Up Payment" representing amounts which might have been paid on the separation benefit prior to the execution of the Separation Agreement), provided that in no event shall the total amount of monthly payments toward the separation benefit and the First and Second Catch-Up Payments exceed the $250,000 total amount due as separation benefit. The Company also agreed that Mr. Guillen's stock options would immediately vest, and that to the extent the shares underlying such options are not registered, Mr. Guillen would be granted piggyback registration rights to cover these shares. The value of the unvested options that became immediately vested is $58,533. Mr. Guillen would have the right to exercise his options until the later of the fifth anniversary of the date that the Company's compensation committee approved Mr. Guillen's stock options, or February 15, 2010. In exchange for these payments and benefits, Mr. Guillen and the Company agreed to mutually release all claims, dismiss all complaints as applicable, and neither party shall pursue any future claims regarding Mr. Guillen's prior employment and compensation arrangements with the Company.

Account payable to related party at December 31, 2007 represents amount due to the board of directors for their director fees.

During the year ended December 31, 2007, the Company purchased an additional 2% of Bio Check shares for $132,000.

14. Subsequent Event

On April 8 and 9, 2008, the Company received demand letters from certain debenture holders, including letters on behalf of Bristol Investment Fund, Ltd, demanding immediate payment of all amounts in default under the convertible debenture agreement dated October 25, 2006 as described in Note 6 above. The Company is in active discussions with these investors regarding ways to have these notices of default withdrawn and/or have the defaults cured.

Exhibit 21.1

SUBSIDIARIES OF OXIS INTERNATIONAL, INC.

As of December 31, 2007, the Company's subsidiaries were as follows:

Name	Jurisdiction of incorporation
OXIS Health Products, Inc.	Delaware
OXIS Therapeutics, Inc.	Delaware
OXIS International S.A.	France
OXIS Acquisition Corporation	Delaware
OXIS Isle of Man Limited	Isle of Man
OXIS Instruments, Inc.	Pennsylvania
BioCheck, Inc.	California

Exhibit 31.1

CERTIFICATION

I, Marvin S. Hausman, certify that:

1. I have reviewed this annual report on Form 10-KSB of OXIS International, Inc. ("registrant");

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a, 15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

OXIS International, Inc.

Date: April 11, 2008

By: /s/ Marvin S. Hausman

Marvin S. Hausman
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Marvin S. Hausman, certify that:

1. I have reviewed this annual report on Form 10-KSB of OXIS International, Inc. ("registrant");

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a, 15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

OXIS International, Inc.

Date: April 11, 2008

By: /s/ Marvin S. Hausman

Marvin S. Hausman
Acting Principal Accounting and Financial Officer

Exhibit 32.1

CERTIFICATION

In connection with the annual report of OXIS International, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2007, as filed with the Securities and Exchange Commission (the "Report"), I, Marvin S. Hausman, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

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

OXIS International, Inc.

Date: April 11, 2008

By: /s/ Marvin S. Hausman
Marvin S. Hausman
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION

In connection with the annual report of OXIS International, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2007, as filed with the Securities and Exchange Commission (the "Report"), I, Marvin S. Hausman, Acting Principal Accounting and Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

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

OXIS International, Inc.

Date: April 11, 2008

By: /s/ Marvin S. Hausman

Marvin S. Hausman
Acting Principal Accounting and Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.