U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **June 30, 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)

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 ☐

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

At August 10, 2007, the issuer had outstanding the indicated number of shares of common stock: 45,588,587.

Transitional Small Business Disclosure Format YES ☐ NO ☑

OXIS INTERNATIONAL, INC.
FORM 10-QSB
For the Quarter Ended June 30, 2007

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

OXIS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,208,000	$ 1,208,000
Accounts receivable, net	1,126,000	732,000
Inventory	530,000	561,000
Prepaid expenses and other current assets	80,000	130,000
Deferred tax assets	11,000	10,000
Restricted cash	—	3,060,000
Total Current Assets	2,947,000	5,701,000
Property, plant and equipment, net	207,000	244,000
Patents, net	764,000	761,000
Goodwill and other assets, net	1,291,000	1,291,000
Total Other Assets	2,270,000	2,296,000
TOTAL ASSETS	$ 5,217,000	$ 7,997,000
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 899,000	$ 714,000
Accrued expenses	967,000	838,000
Accounts payable to related party	56,000	49,000
Warrant liability	1,470,000	2,314,000
Accrued derivative liability	405,000	678,000
Notes Payable	—	3,060,000
Total Current Liabilities	3,797,000	7,653,000
Long-term deferred taxes	25,000	25,000
Convertible debentures, net of discounts of $892,000	458,000	124,000
Total Liabilities	4,280,000	7,802,000
Minority interest	905,000	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 June 30, 2007 and December 31, 2006, respectively (aggregate liquidation preference of $1,000)	—	—
Series C – 96,230 shares issued and outstanding	1,000	1,000
Common stock - $0.001 par value; 150,000,000 shares authorized; 44,527,476 and 44,527,476 shares issued and outstanding at June 30, 2007 and December 31, 2006	45,000	45,000
Additional paid-in capital	70,411,000	70,115,000
Accumulated deficit	(70,008,000)	(70,319,000)
Accumulated other comprehensive loss	(417,000)	(417,000)
Total stockholders' equity (deficit)	32,000	(575,000)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 5,217,000	$ 7,997,000

See accompanying condensed notes to consolidated financial statements.

OXIS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Revenue:				
Product revenues	$ 1,207,000	$ 1,356,000	$ 2,475,000	$ 2,869,000
License revenues	606,000	—	729,000	—
Total Revenue	1,813,000	1,356,000	3,204,000	2,869,000
Cost of product revenues	773,000	833,000	1,502,000	1,649,000
Gross profit	1,040,000	523,000	1,702,000	1,220,000
Operating expenses:				
Research and development	194,000	178,000	367,000	391,000
Selling, general and administrative	441,000	837,000	1,382,000	1,901,000
Total operating expenses	635,000	1,015,000	1,749,000	2,292,000
Income (loss) from operations	405,000	(492,000)	(47,000)	(1,072,000)
Other income (expenses):				
Interest income	—	11,000	25,000	31,000
Other income	13,000	2,000	33,000	2,000
Reduction in fair value of warrant and derivative liabilities	1,053,000	—	1,117,000	—
Interest expense	(259,000)	(28,000)	(500,000)	(55,000)
Other expense	8,000	—	—	—
Total other income (expenses)	815,000	(15,000)	675,000	(22,000)
Minority interest in subsidiary	(57,000)	(36,000)	(134,000)	(86,000)
Income (loss) before provision for income taxes	1,163,000	(543,000)	494,000	(1,180,000)
Provision for income taxes	78,000	36,000	183,000	89,000
Net income (loss)	$ 1,085,000	$ (579,000)	$ 311,000	$ (1,269,000)
Net income (loss) per share – basic	$ 0.02	$ (0.01)	$ 0.01	$ (0.03)
Net income (loss) per share –diluted	$ 0.02	$ (0.01)	$ 0.01	$ (0.03)
Weighted average shares outstanding – basic	44,527,476	42,621,928	44,527,476	42,580,393
Weighted average shares outstanding –diluted	44,823,548	42,621,928	44,884,985	42,580,393

See accompanying condensed notes to consolidated financial statements.

OXIS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2007	**2006**
Cash flows from operating activities:		
Net income (loss)	$ 311,000	$ (1,269,000)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	37,000	38,000
Amortization of intangible assets	79,000	64,000
Stock compensation expense for options and warrants issued to employees and non-employees	296,000	180,000
Amortization of debt discounts	334,000	—
Reduction in fair value of warrant and derivative liabilities	(1,117,000)	—
Minority interest in subsidiary	135,000	86,000
Changes in assets and liabilities:		
Accounts receivable	(394,000)	(65,000)
Inventory	31,000	27,000
Prepaid expenses and other current assets	50,000	110,000
Accounts payable	185,000	241,000
Accrued expenses	128,000	(93,000)
Accounts payable to related party	7,000	(65,000)
Net cash used in operating activities	82,000	(746,000)
Cash flows from investing activities:		
Investment in restricted certificate of deposit	—	(3,060,000)
Proceeds from restricted certificate of deposit	3,060,000	3,060,000
Capital expenditures	—	(38,000)
Increase in patents	(82,000)	(32,000)
Net cash provided by (used in) investing activities	2,978,000	(70,000)
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	63,000
Proceeds from short-term borrowing	—	3,660,000
Repayment of short-term borrowings	(3,060,000)	(3,060,000)
Net cash provided by (used in) financing activities	(3,060,000)	663,000
Net increase in cash and cash equivalents	—	(153,000)
Cash and cash equivalents - beginning of period	1,208,000	614,000
Cash and cash equivalents - end of period	$ 1,208,000	$ 461,000

See accompanying condensed notes to consolidated financial statements.

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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.

The Company had net income of $1,085,000 and $311,000 for the three month and six month period ended June 30, 2007 compared to a net loss of $579,000 and $1,269,000 for the three month and six month period ended June 30, 2006. Net income in 2007 was primarily affected by non-cash income relating to decrease in warrant and derivative liabilities. For the three months ending June 30, 2007 such non-cash income was $1,053,000 and for the six months ending June 30, 2007, such non-cash income was $1,117,000. During 2006, the Company 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, the Company has incurred an accumulated deficit of $70,008,000 through June 30, 2007. On a consolidated basis, the Company had cash and cash equivalents of $1,208,000 at June 30, 2007 of which $1,011,000 was held by BioCheck. Since BioCheck has been and is expected to continue to be cash flow positive, management believes that its cash will be sufficient to sustain its operating activities. Management believes and presently anticipates that the cash held by the OXIS parent company of $197,000 at June 30, 2007 plus the $200,000 in license fees received from Alteon on August 10, 2007 and the $500,000 equity investment by Alteon expected to occur in August 2007 (See Note 5) will provide sufficient cash flow to sustain the Company's operations through the end of 2007. Approximately $3,000,000 would be needed in order for OXIS to exercise its option to purchase the remaining 49% of BioCheck. 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 goals or to increase product related revenues. The 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.

Basis of Presentation

The consolidated financial statements have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission regarding interim financial information. Accordingly, these financial statements and notes thereto do not include certain disclosures normally associated with financial statements prepared in accordance with accounting principles generally accepted in the United States of America. This interim financial information should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2006 included in the Company's Annual Report on Form 10-KSB/A.

The consolidated financial statements include the accounts of OXIS International, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated. In the opinion of the Company's management, the consolidated financial statements include all adjustments (consisting of only normal recurring adjustments) and disclosures considered necessary for a fair presentation of the results of the interim periods presented. This interim financial information is not necessarily indicative of the results of any future interim periods or for the Company's full year ending December 31, 2007.

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 the Company's 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 the Company's 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 the Company, and require no consequential continuing involvement on the Company's part, are recognized as revenue when the license term commences and the licensed data, technology and/or compound is delivered The Company defers recognition of non-refundable upfront fees if the Company has 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 the Company's performance under the other elements of the arrangement. In addition, if the Company has continuing involvement through research and development services that are required because its know-how and expertise related to the technology is proprietary to the Company, or can only be performed by the Company, 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.

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 cashing in the certificate of deposit to pay off the loan with Bridge Bank.

Stock-Based Compensation

Management implemented SFAS 123R effective January 1, 2006, using the modified prospective application method. Under the modified prospective application method, SFAS 123R applies to new awards and to awards modified, repurchased or cancelled after January 1, 2006. Additionally, compensation costs for the portion of awards for which the requisite service has not been rendered that are outstanding as of January 1, 2006 are recognized as the requisite service is rendered on or after January 1, 2006. The compensation cost for awards issued prior to January 1, 2006 attributed to services performed in years after January 1, 2006 uses the attribution method applied prior to January 1, 2006 according to SFAS 123, except that the method of recognizing forfeitures only as they occur was not continued. The Company recognized $116,000 and $131,000 in share-based compensation expense for the six months ended June 30, 2007 and 2006, respectively.

The Company issued 55,000 and 280,000 stock options to employees and directors during the six months ended June 30, 2007 and 2006, respectively. 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 90%, respectively; average risk-free interest rate of 5.0% and 4.45%, 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

Stock options issued to non-employees as consideration for services provided to the Company have been accounted for under the fair value method in accordance with SFAS 123 and Emerging Issues Task Force No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," which requires that compensation expense be recognized for all such options.

Earnings Per Share

Basic earnings 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 earnings per share is computed by dividing the earnings 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 following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share ("EPS") computations.

	Three Months Ended June 30,					
	2007			2006		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic earnings per share						
Net income (loss)	$ 1,085,000			$ (579,000)		
Weighed shares outstanding		44,527,476			44,527,476	
			$ 0.02			$ (0.01)
Diluted earnings per share						
Net loss	$ 1,085,000			$ (579,000)		
Weighed average shares outstanding		44,527,476			44,527,476	
Effect of dilutive securities						
Warrants and options		296,072			-	
		44,823,548			44,527,476	
			$ 0.02			$ (0.01)

	Six Months Ended June 30,					
	2007			2006		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic earnings per share						
Net income (loss)	$ 311,000			$ (1,269,000)		
Weighed shares outstanding		44,527,476			44,527,476	
			$ 0.01			$ (0.03)
Diluted earnings per share						
Net income (loss)	$ 311,000			$ (1,269,000)		
Weighted average shares outstanding		44,527,476			44,527,476	
Effect of dilutive securities						
Warrants and options		357,509			-	
		44,884,985			44,527,476	
			$ 0.01			$ (0.03)

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*." This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Management has not determined the effect, if any, the adoption of this statement will have on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans−An amendment of FASB Statements No. 87, 88, 106, and 132(R*)." One objective of this standard is to make it easier for investors, employees, retirees and other parties to understand and assess an employer's financial position and its ability to fulfill the obligations under its benefit plans. SFAS No. 158 requires employers to fully recognize in their financial statements the obligations associated with single-employer defined benefit pension plans, retiree healthcare plans, and other postretirement plans. SFAS No. 158 requires an employer to fully recognize in its statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. SFAS No. 158 requires an entity to recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS No. 87. This statement requires an entity to disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. The company is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures for fiscal years ending after December 15, 2006. Management believes that this statement will not have a significant impact on the company's financial statements.

In February of 2007 the FASB issued SFAS 159, "*The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*." The statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is analyzing the potential accounting treatment.

FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109*." Interpretation 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. The amount of tax benefits to be recognized for a tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax benefits relating to tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met or certain other events have occurred. Previously recognized tax benefits relating to tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interpretation 48 also provides guidance on the accounting for and disclosure of tax reserves for unrecognized tax benefits, interest and penalties and accounting in interim periods. Interpretation 48 is effective for fiscal years beginning after December 15, 2006. The change in net assets as a result of applying this pronouncement will be a change in accounting principle with the cumulative effect of the change required to be treated as an adjustment to the opening balance of retained earnings on January 1, 2007, except in certain cases involving uncertainties relating to income taxes in purchase business combinations. In such instances, the impact of the adoption of Interpretation 48 will result in an adjustment to goodwill. While the Company's analysis of the impact of adopting Interpretation 48 is not yet complete, management does not currently anticipate it will have a material impact on the Company's 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.

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. Notes Payable

	June 30, 2007	December 31, 2006
Note payable to KeyBank, N.A.	$ —	$3,060,000

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 granted a security interest in its $3,060,000 certificate of deposit transferred 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 repaid in full in February 2007 primarily from the proceeds of cashing in the certificate of deposit.

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"). Pursuant to the terms of the debentures, beginning on February 1, 2007, the Company 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 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 the required Monthly Redemption Amounts and as of the date of this report, the Company is in default and is seven months behind on these payments. The Monthly Redemption Amount is approximately $85,000 per month. As of about August 1, 2007, the Company would have to issue approximately 3,624,000 shares of common stock to satisfy the Monthly Redemption Amount in arrears in an amount of $595,000 and unpaid interest of $25,000, for a total of approximately $620,000 in arrears.

Pursuant to the Debentures, the Company agreed that it will not incur additional indebtedness for borrowed money, other than its current Bridge Bank promissory note which has now been repaid. The Company also agreed 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 is 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 was 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 must 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 days 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 maintain 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 51% owned 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 issued 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 warrants was calculated using the Black-Scholes model using the following assumptions: Discount rate of 4.5%, volatility of 158% and expected term of one to six 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 statement of operations for the year ended December 31, 2006.

At June 30, 2007, the Company determined the fair value of the beneficial conversion feature and the warrants was $405,000 and $1,470,000, respectively. The fair value was calculated using the Black-Scholes model using the following assumptions: discount rate of 4.5%, volatility of 176%; dividend yield of 0% and expected term of 1.32 to 5.33 years. The aggregate decrease in fair value of these two liabilities from December 31, 2006 to June 30, 2007 of $1,117,000 is shown as other income in the accompanying consolidated statements of operations for the six months ended June 30, 2007. 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).

3. Supplemental Cash Flow Disclosures

The Company recognized non-cash compensation expense of $180,000 and $49,000 related to the issuance and vesting of stock options issued to consultants in the six months ended June 30, 2007 and 2006, respectively. The Company recognized non-cash compensation expense of $116,000 and $131,000 related to the issuance and vesting of stock options issued to employees in the six months ended June 30, 2007 and 2006, respectively. Cash interest paid was $0 and $0 in the six months ended June 30, 2007 and 2006, respectively.

4. 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 quarter ending June 30, 2007, OXIS paid Mr. Guillen $83,500, 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 the Company and Mr. Guillen, then no later than 10 days thereafter, the Company 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. A copy of a registration rights agreement between the Company and Mr. Guillen regarding these securities is included as Exhibit 99.1 on the Company's current report on Form 8-K/A filed on May 3, 2007. 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. A copy of the separation agreement was included as Exhibit 10.43 to the Company's annual report on Form 10-KSB/A for the year ended December 31, 2006.

5. Exclusive License Agreement with Alteon

On April 2, 2007, the Company entered into an Amended and Restated Exclusive License Agreement with Alteon, Inc. ("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 August 10, 2007, the Company has so far received the full $500,000 license fee.

The agreement also provides for milestone payments to the Company 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 proper to such purchase, and no less than $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.

Item 2. Management's Discussion and Analysis or Plan of Operation.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-QSB 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" 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-QSB 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 should be read in conjunction with the consolidated financial statements and the notes included in this report on Form 10-QSB.

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, circulatory system, 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 25 research reagents and 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 and have the option to purchase the remaining 49% 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.

The Company had net income of $1,085,000 and $311,000 for the three month and six month period ended June 30, 2007 compared to a net loss of $579,000 and $1,269,000 for the three month and six month period ended June 30, 2006. Net income in 2007 was primarily affected by non-cash income relating to decrease in warrant and derivative liabilities. For the three months ending June 30, 2007 such non-cash income was $1,053,000 and for the six months ending June 30, 2007, such non-cash income was $1,117,000. During 2006, the Company obtained debt financing in the amount of $1,350,000. Such financing resulted in non-cash financing charges of $1,674,000 in 2006. Our 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, we can not assure you that we will accomplish this task and there are many factors that may prevent us from reaching our goal of profitability.

As shown in the accompanying consolidated financial statements, we have incurred an accumulated deficit of $70,008,000 through June 30, 2007. On a consolidated basis, we had cash and cash equivalents of $1,208,000 at June 30, 2007 of which $1,011,000 was held by BioCheck. Since BioCheck has been and is expected to continue to be cash flow positive, management believes that its cash will be sufficient to sustain its operating activities. We may seek additional loan and/or equity financing to expand operations, implement our marketing campaign, and hire additional personnel. Additionally, we plan to acquire the remaining 49% of BioCheck that we currently do not own, and this may require additional financing. We plan to increase revenues by our marketing campaign and the introduction of new products. 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 goals or to increase product related revenues. The 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.

Recent Developments

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

Product Development

During 2006, we expanded our OXIS product portfolio of research assay kits for the research markets with the addition of eight new assay products. The OXIS parent company offers approximately 25 research diagnostic assay test kits for markers of oxidative and nitrosative stress. We also market antibodies, enzymes and controls for use primarily in research laboratories. Given the availability of sufficient capital resources, we plan to pursue development of additional products relating to oxidative stress markers. We are planning to expand our cardiovascular and inflammatory products and assays through the combination of the new BioCheck MPO assay with other in-house assays and new assays in development. We also believe that our Ergothioneine compound may be well suited for development as a nutraceutical supplement that can be sold over the counter. We are currently testing Ergothioneine produced in bulk to ensure that its purity level is acceptable. Given the availability of sufficient capital resources and the successful scale-up to a bulk manufacturing process that ensures an acceptable level of purity, we intend to pursue the development of Ergothioneine for use in the over the counter market, however, there can be no assurance as to when or if we will launch Ergotheioneine on a commercial basis as a nutraceutical.

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

During 2006, Michael D. Centron was appointed as our Vice President and Chief Financial Officer (in January 2006), replacing Dr. Hausman as acting Chief Financial Officer. In February 2006, we hired Randall Moeckli as a full time employee and Senior Director of Sales and Marketing, however, we subsequently mutually agreed with Mr. Moeckli to change his status from full time employee to an independent consultant. On March 15, 2006, Gary M. Post, Managing Director of Ambient Advisors, LLC, joined our board of directors. Timothy C. Rodell, M.D., declined to stand for re-election at the Annual Meeting of Stockholders held on August 1, 2006. On September 15, 2006, Steven T. Guillen's employment as the Company's President and Chief Executive Officer was terminated. Mr. Guillen remained a member of the board of directors until his resignation in April 2007. On September 15, 2006, Marvin S. Hausman, M.D., was appointed by the board of directors as President and Chief Executive Officer of the Company. Dr. Hausman remains Chairman of the board of directors. Mr. Centron resigned as an officer and employee effective November 15, 2006.

During the first half of 2007, Matthew Spolar, Vice President, Product Technology for Atkins Nutritionals, Inc., was appointed to our board of directors, effective January 11, 2007. 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 Note 4 above.

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 with 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 prospectus 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.

The performance of our duties and obligations under the debentures are secured by substantially all of our assets under a security agreement. As additional security to the debenture holders, we have also pledged the shares we hold in our subsidiaries, including 51% of BioCheck, Inc., and all of the shares of capital stock of our wholly-owned subsidiaries, OXIS Therapeutics, Inc. and OXIS Isle of Man Limited. In addition, OXIS Therapeutics, Inc. and OXIS Isle of Man Limited, have each entered into a subsidiary guarantee under which these subsidiaries have guaranteed the performance, at the parent level, of our obligations under the debentures.

Under the debentures, we agreed that we will not incur additional indebtedness for borrowed money, other than the Bridge Bank Promissory Note which has now been repaid. 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 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 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 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 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 was to provide us with intermediate term financing as we seek longer term financing.

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. We are negotiating with such purchasers for waivers from such events of default and the right to issue shares in lieu of cash payment of the unpaid redemption payments plus accrued interest to the purchasers. The Monthly Redemption Amount is approximately $85,000 and as of August 1, 2007 we are currently seven months behind. We would have to issue approximately 3,624,000 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest of approximately $620,000 in arrears. We cannot give any assurance that the each of the four purchasers will accept such a cure for this default.

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. This registration statement was declared effective by the Securities and Exchange Commission in February 2007.

Under the security agreement, we agreed to grant to each of the investors 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. OXIS Therapeutics and OXIS Isle of Man also provided a subsidiary guarantee to the Purchasers in connection with the transaction.

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 August 1, 2007, we have so far received $300,000. 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 prior to such purchase, and no less than $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 or around April 13, 2007, Applied Genetics Incorporated Dermatics ("AGI") initiated a lawsuit against OXIS alleging in part that AGI's production, use and sale of L-ergothioneine does not infringe the patents held by OXIS. The complaint also alleges that certain actions taken by OXIS to protect and enforce its patents have caused damage to AGI, and asserts claims of unfair competition, tortious interference with prospective economic advantage and contractual relations. The complaint also challenges the validity of one of our patents. Management believes these claims, allegations and assertions are groundless, and we intend to vigorously pursue the Company's legal rights to enforce and protect its patent rights.

Results of Operations

Revenues

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Increase (Decrease) from 2006	2007	2006	Increase (Decrease) from 2006
Product revenues	$ 1,207,000	$ 1,356,000	$ (149,000)	$ 2,475,000	$ 2,869,000	$ (394,000)
License revenues	$ 606,000	-	$ 606,000	$ 729,000	-	729,000

The decrease in product revenues was primarily attributable to loss of an account from 2006 to 2007 and some reduction in product pricing. We expect third quarter 2007 product revenues to be approximately the same as the second quarter. 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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Decrease from 2006	2007	2006	Decrease from 2006
Cost of product revenues	$ 773,000	$ 833,000	$ 60,000	$1,502,000	$1,649,000	$ 147,000

The decrease in cost of product revenues is attributable to the decrease in product sales. We expect third quarter 2007 product costs to be approximately the same as the second quarter adjusted for any changes in revenues.

Gross profit was $1,040,000 and $1,702,000 compared to $523,000 and $1,220,000 for the three and six month period ended June 30, 2007 and 2006, respectively. Gross profit as a percentage of revenues was 57.4% and 53.1% compared to 38.6% and 42.5% for the three and six month period ended June 30, 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 remained flat.

Research and development expenses

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Increase from 2006	2007	2006	Decrease from 2006
Research and development expenses	$ 194,000	$ 178,000	$ 16,000	$ 367,000	$ 391,000	$ 24,000

The decrease in research and development expenses is primarily attributable to a change in mix from currently expensed research and development towards patent development and other capitalized research programs and projects. We expect third quarter 2007 research and development costs to be approximately the same as the second quarter. 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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Decrease from 2006	2007	2006	Decrease from 2006
Selling, general and administrative expenses	$ 441,000	$ 837,000	$ 396,000	1,382,000	$1,901,000	$ 519,000

The decrease in selling, general and administrative expenses is primarily attributable to a reduction in overhead costs as a result of efficiencies and reduction in costs gained by our move from Portland to Foster City. We expect third quarter 2007 selling, general and administrative expenses to be approximately the same as the second quarter.

Interest Income

Interest income was $0 and $25,000 compared to $11,000 and $31,000 for the three and six month period ended June 30, 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.

Interest Expense

Interest expense was $259,000 and $500,000 compared to $28,000 and $55,000 for the three and six month period ended June 30, 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 $1,208,000 at June 30, 2007 of which $1,011,000 was held by BioCheck. The cash held by the OXIS parent company was $197,000 at June 30, 2007. Cash provided by operating activities was $82,000 during the second quarter of 2007. The cash held by the OXIS parent company of $197,000 at June 30, 2007 plus the $700,000 additional amount we expect to receive from Alteon should be sufficient to sustain our operations through 2007. As of August 10, 2007, we have so far received $500,000 from Alteon pursuant to the terms of our license agreement with Alteon (see Note 5). 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. In addition, in connection with the license agreement between Alteon and us, Alteon agreed to make an equity investment in our common stock, at a per-share price equal to 125% of the ten-day average trading price following the effective date of the agreement and no less than $0.24 per share, which per our agreement is expected to result in net proceeds to us of $500,000.

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 prospectus 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. The Company has not made the required Monthly Redemption Amounts and is 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 August 1, 2007 we are currently seven months behind. We would have to issue approximately 3,624,000 shares of common stock to satisfy the Monthly Redemption Amount and unpaid interest totalling approximately $620,000 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. 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, 4, 5 and 6 to the audited consolidated financial statements for the year ended December 31, 2006 included in Form 10-KSB/A 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.

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 may need to raise additional capital to fund our general and administrative expenses, and if we are unable to raise such capital, in the first quarer of 2008 we will have to curtail or cease operations.

We had cash and cash equivalents of $1,208,000 at our parent level at June 30, 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 obtained debt financing in the amount of $1,350,000 on October 25, 2006. In order to expand our operations, including pursuit of our development and commercialization programs, we may need to raise additional equity or debt financing. In addition, if in the future we choose to exercise our option to purchase the remaining 49% share of BioCheck that we currently do not own, this may require additional capital. We have incurred significant obligations in relation to the termination of our former president and chief executive officer. We repaid debt including accrued interest and expenses in the amount of $426,000 to Fagan Capital and $209,000 to our former chief executive officer. 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.

As we have not made required monthly redemption payments due to purchasers of debentures in our October 2006 convertible debt and warrant financing, unless we receive applicable waivers from the debenture purchasers, such purchasers could exercise their rights under the default provisions of the Secured Convertible Debenture.

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 failure to pay 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. We are negotiating with such purchasers for waivers from such events of default and the right to issue shares in lieu of cash payment of the unpaid redemption payments plus accrued interest to the purchasers. Each monthly redemption amount is approximately $85,000 and as of August 1, 2007 we are currently seven months behind. We would have to issue approximately 3,624,000 shares of common stock to satisfy the monthly redemption amount and unpaid interest of approximately $620,000 in arrears. We cannot give any assurance that the each of the four purchasers will accept this arrangement as a cure for this default.

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 to thirteen 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 June 30, 2007 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. We are currently in negotiations with the debenture holders regarding the form of payment of these Monthly Redemption Amounts, which may be in the form of shares of our common stock or cash.

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 20 trading days prior to any applicable date in question beginning after April 25, 2007. If we must make all or a substantial amount of its monthly redemption payments to the debenture holders in cash rather than shares, its cash reserves will be depleted and it will have to raise substantial additional capital to avoid default of the debentures.

Restrictive provisions of the Securities Purchase Agreement signed with purchasers of debentures and warrants in our recent convertible debt and warrant financing may make it more difficult for us to consummate an equity financing transaction.

Pursuant to the Securities Purchase Agreement entered into with four accredited purchasers on October 25, 2006, the purchasers of the debentures have the right to participate in up to 100% of any future equity financing involving issuance of common stock or securities convertible into or exercisable for common stock that we undertake within one year after the effective date of the registration statement which we are required to file in relation to the securities issued in our October 25, 2006 financing. This provision may make potential investors reluctant to enter into term sheets with us for future equity transactions.

Raising additional capital may be necessary in order to complete our acquisition of the outstanding shares of BioCheck that we do not own, which constitutes 49% 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. 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 49% 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 49% 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 will need additional financing in order to complete our development and commercialization programs.

As of June 30, 2007, we had an accumulated deficit of approximately $70,008,000. 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 all of our potential development and commercialization programs. Our current capital resources may not be 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. 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 specific 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 the 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 third quarter of 2006, our former Chief Executive Officer, who had been appointed by the Board on in the first quarter of 2005, was terminated, and during the fourth quarter of 2006 our Chief Financial Officer, who had been hired in January 2006, resigned from his position at our company. As a result, one person was appointed to serve as both Chief Executive Officer and acting Chief Financial Officer, leaving our company with a sole executive officer. On September 15, 2006 Marvin S. Hausman, M.D. was appointed our new President and Chief Executive Officer and took the position of Acting Chief Financial Officer.

In addition, during 2006 two directors left our Board. Timothy C. Rodell, M.D., declined to stand for re-election at the Annual Meeting of Stockholders held on August 1, 2006.and on April 12, 2007, Mr. Guillen resigned from the board of directors. Gary M. Post joined our Board of directors on March 15, 2006 and on January 11, 2007 Matthew Spolar was appointed to our board of directors, resulting in a five member Board. Three of the five directors currently serving on the board commenced their service on the board within the last two years.

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 late 2006 and during 2007 we deferred the hiring of senior management personnel due to limited capital resources. 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. We currently do not have a Chief Financial Officer who is a full time employee, and rely upon consultants to perform functions normally handled by a CFO. 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 2006 and 2005, 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.

Most of our nutraceutical and clinical diagnostic candidates are at an early stage of development and all of such nutraceutical and clinical diagnostic candidates may require expensive and lengthy testing and regulatory clearances. None of our nutraceutical or clinical diagnostic candidates have been approved by regulatory authorities. We may not be able to make some 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 found to lack efficacy, we may not be able to effectively demonstrate the efficacy of our products, or our products may not qualify to receive necessary regulatory clearances,
- our nutraceutical and clinical diagnostic candidates may not be cost 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 enter the market with 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.

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 31% of our issued and outstanding stock. In addition, Dr. Marvin Hausman is a member of the board of directors of TorreyPines and is our President and Chief Executive Officer and the chairman of our board of directors. 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 certain of 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. For example, a decrease in the demand for our Ergothioneine product resulted in a reduction of sales of Ergothioneine to $1,000 in 2006, $18,000 in 2005 and $87,000 in 2004, compared to $333,000 in 2003. We cannot predict with any certainty our future sales of Ergothioneine.

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. We currently have 81 patents either granted or applied for in 16 countries with expiration dates ranging from 2009 to 2025. 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. As a recent example, in the second quarter of 2007, Applied Genetics Incorporated Dermatics ("AGI") initiated a lawsuit against OXIS alleging in part that AGI's production, use and sale of L-ergothioneine does not infringe the patents held by OXIS. The complaint also alleges that certain actions taken by OXIS to protect and enforce its patents have caused damage to AGI, and asserts claims of unfair competition, tortious interference with prospective economic advantage and contractual relations. The complaint also challenges the validity of one of our patents.

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 the first six months of 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 $0.13 per share and as high as $0.29 per share, a 123% difference. This may impact an investor's decision to buy or sell our common stock. As of June 30, 2007 there were approximately 5,200 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 or issuable in the private placements of equity which closed on January 6, 2005 and shares underlying convertible debt and warrants 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 $302,000 in 2006, and $40,000 for the first six months of 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 claims is made in the future, such losses, claims, damages and liabilities arising out of those claims 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, 2006, there were outstanding warrants entitling the holders to purchase up to a maximum of 9,681,840 common shares at an exercise price of $0.35 per share. In addition, there are outstanding warrants entitling the holders to purchase up to a maximum of 4,840,740 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. 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 3. Controls and Procedures.

Under the supervision and with the participation of our management (including our principal executive and financial officer), audit committee, and our external accounting and financial consultant, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2007, and, based on this evaluation, our management has concluded that these controls and procedures are effective. 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.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We terminated Steven T. Guillen from his position as our President and Chief Executive Officer on September 15, 2006. Mr. Guillen subsequently filed a lawsuit against us and up to 25 unnamed additional defendants. The complaint alleged breaches of contract relating to Mr. Guillen's employment agreement and a promissory note that was in default, breach of implied covenant of good faith and fair dealing, wrongful termination and violation of the California Labor Code in relation to the non-payment of back pay. The complaint related in part to a $200,000 unsecured promissory note with Mr. Guillen dated on or around March 10, 2006. Interest and principal were due on September 10, 2006 and at September 30, 2006 were in default. On November 2, 2006, we repaid Mr. Guillen the principal and accrued interest due on the promissory note in the amount of $209,000 and back pay with penalties and accrued interest of $96,000. This lawsuit was withdrawn and settled in the second quarter of 2007 in accordance with the separation agreement discussed below.

On March 8, 2007, we entered into a Confidential Separation Agreement (dated February 12, 2007) with Steve Guillen, under which we agreed to pay Mr. Guillen the sum of $250,000 in monthly installments of $10,000 each, subject to standard payroll deductions and withholdings. 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 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 us. A copy of the separation agreement was included as Exhibit 10.43 to the Company's annual report on Form 10-KSB/A for the year ended December 31, 2006.

On or around April 13, 2007, Applied Genetics Incorporated Dermatics ("AGI") initiated a lawsuit against OXIS alleging in part that AGI's production, use and sale of L-ergothioneine does not infringe the patents held by OXIS. The complaint also alleges that certain actions taken by OXIS to protect and enforce its patents have caused damage to AGI, and asserts claims of unfair competition, tortious interference with prospective economic advantage and contractual relations. The complaint also challenges the validity of one of our patents. Management believes these claims, allegations and assertions are groundless, and the Company intends to vigorously pursue its legal rights to enforce and protect its patent rights.

No director, officer or affiliate of ours, and no owner of record or beneficial owner of more than five percent (5%) of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries in reference to pending litigation.

Item 2. Unregistered Sales of Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

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 failure to pay 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. We are negotiating with such purchasers for waivers from such events of default and the right to issue shares in lieu of cash payment of the unpaid redemption payments plus accrued interest to the purchasers. Each monthly redemption amount under the debentures is approximately $85,000 and as of August 1, 2007 we are currently seven months behind. We would have to issue approximately 3,624,000 shares of common stock to satisfy the monthly redemption amount and unpaid interest of approximately 620,000 in arrears. We cannot give any assurance that the each of the four purchasers will accept this arrangement as a cure for this default.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits

See Index to Exhibits on page 50.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OXIS INTERNATIONAL, INC.

Date: August 14, 2007

By: /s/ Marvin S. Hausman

Marvin S. Hausman
Chief Executive Officer

Exhibit Index

Exhibit Number	Exhibit Title or Description
10.1*	Amended and Restated Exclusive License Agreement with Alteon, Inc. dated April 2, 2007.
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.
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.
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.
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.

* Certain portions of this agreement are subject to a request for confidential treatment, pending with the Securities and Exchange Commission.

Exhibit 10.1

CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT

This AMENDED AND RESTATED **Exclusive License Agreement** (the ***"Agreement"***) is entered into as of April 2, 2007, having an effective date of April 5, 2007 (the ***"Effective Date"***) by and between **OXIS International**, a Delaware corporation (***"OXIS"***), located at 6040 N. Cutter Circle, Suite 317, Portland OR 97217 and **Alteon, Inc. (formerly known as haptoguard, Inc.**,) a Delaware corporation located at 221 W. Grand Avenue, Suite 200, Montvale, NJ 07645 (***"Alteon "***).

Recitals

Whereas, OXIS is the owner of certain Licensed Patents, Licensed Compounds, Licensed Know-How, Licensed Process, and Licensed Product (each as defined below), as described below;

Whereas, Alteon is a biopharmaceutical company that is interested in developing and commercializing the Licensed Product;

Whereas, OXIS wishes to grant Alteon and Alteon desires to obtain an exclusive, worldwide license under the Licensed Patents, Licensed Compounds, Licensed Know-How, Licensed Process, and Licensed Product on the terms set forth herein.

WHEREAS, Alteon and OXIS previously entered into an agreement, titled "Exclusive License Agreement" which was made effective as of February 28, 2004 (the "Prior Exclusive License Agreement");

WHEREAS, this Agreement is intended to cover the same intellectual property as described in the Prior Exclusive License Agreement and evidenced by the Licensed Patents Licensed Compounds, Licensed Know-How, Licensed Process and Licensed Product, but, among other things, expands the scope of the previous licenses to also include non cardiovascular indications;

WHEREAS, the Parties now desire to enter into this "Amended and Restated Exclusive License Agreement" for the purpose of amending the Prior Exclusive License Agreement by expanding the rights granted and making certain changes regarding the terms and conditions and rights and obligations of the Parties; and

WHEREAS, the Parties intend that this Agreement shall supersede the Prior Exclusive License Agreement from and as of the Effective Date;

Now Therefore, for good and valuable consideration of the foregoing and the covenants and premises contained in this Agreement, the parties agree as follows:

1. **Definitions**

The following capitalized terms shall have the meanings indicated for purposes of this Agreement.

***CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

1.1 "Affiliate" shall mean, as to any person or entity, which, directly or indirectly, controls, is controlled by, or is under common control with such person or entity. For purposes of this definition, "control" shall mean the ownership of more than 50% of the shares of stock entitled to vote for the election of directors in the case of a corporation, and more than 50% of the voting power in the case of a business entity other than a corporation.

1.2 "ANDA" shall mean an Abbreviated New Drug Application filed pursuant to the requirements of the FDA, or the equivalent application in any other country or jurisdiction, required before Commercial Sale of a drug product.

1.3 "Combination Product" any product that combines Licensed Product with any Alteon product or technology.

1.4 "Confidential Information" shall have the meaning in Section 7

1.5 "Disclosing Party" shall have the meaning provided in Section 6.1.

1.6 "Disputes" shall have the meaning provided in Section 9.4.

1.7 "FDA" shall mean the United States Food and Drug Administration or any successor agency.

1.8 "Field" shall mean any and all uses including but not limited to the therapeutic, diagnostic, preventative, amerliorative, and/or prognostic for and in any indication, assay, disease and/or condition.

1.9 "First Commercial Sale" shall mean, with respect to any Licensed Product, the first sale on a commercial basis in an arm's length transaction for end use of such Licensed Product in a country after the governing health regulatory authority of such country has granted regulatory approval of such Licensed Product, to the extent such regulatory approval is required in such country. Licensed Product distributed or used for clinical trial purposes shall not be considered sold, marketed or made publicly available for sale and shall not constitute first commercial sale.

1.10 "Alteon Indemnitee" shall have the meaning provided in Section 9.1(b).

1.11 "Generic Competition" shall mean on a country by country basis the commercial sale of a generic product containing the same compound as Licensed Product as an active ingredient.

1.12 "Indemnifying Party" shall have the meaning provided in Section 9.1(c).

1.13 "**Parenteral Formulation**" shall mean Licensed Product formulated sterilely for administration through a needle or indwelling catheter to a human subject

1.14 "Licensed Know-How" shall mean, with respect to the Field, all information, data, compositions, materials, method, processes, protocols, reports, techniques relating to***.

1.15 "Licensed Compound" shall mean a set of compounds *** including a set of cyclic organoselenium compounds *** for use in the Field.

1.16 "Licensed Patents" shall mean any and all i) Patents covering the Licensed Compounds, Licensed Process, Licensed Know-How of the Prior Exclusive License Agreement which have a Valid Claim; and ii) ***;

1.17 "Licensed Process" shall mean synthetic routes, materials, conditions, and/or processes relating to and for the manufacture of the Licensed Compounds and/or Licensed Product relating to the Field as disclosed in the Licensed Patents .

1.18 "**Licensed Product**" shall mean any products prepared, created, generated or synthesized by use of the *** BXT-51072 and the organoselenium compounds and formulations thereof ***. .

1.19 "Losses" shall have the meaning provided in Section 9.1(a).

1.20 "NDA" shall mean a New Drug Application filed pursuant to the requirements of the FDA, or the equivalent application in any other country or jurisdiction.

1.21 "Net Sales" shall mean, except as specified in Section 3.6(c) hereof for the purposes set forth in such Section, the amount actually received by Alteon and its Affiliates for sales by Alteon or an Affiliate in a given jurisdiction of Licensed Product for use in the Field to independent purchasers in arm's length transactions, less the following customary and reasonable items, actually allowed or granted for such Licensed Product (if not previously deducted from the amount invoiced):

(a) discounts, credits, retroactive price reductions, rebates, refunds, charge backs, allowances and adjustments, including Medicaid, managed care and similar types of rebates, rejections, market withdrawals, recalls and returns, and administrative fees charged by hospital buying groups and managed care organizations;

(b) trade, quantity and cash discounts and rebates actually allowed or given;

(c) sales, excise, turnover, value-added**,** and similar taxes assessed on the sale of the Product, and import and customs duties;

(d) shipping and insurance charges, postage, and freight out;

(e) government imposed rebates or discounts; and

(f) payments of actual fees or royalties to bona fide third parties in connection with the commercialization, licensing, or manufacture of Licensed Product

1.22 Sales of Licensed Product by and between Alteon and its Affiliates and sublicensees are not sales to Third Parties and shall be excluded from Net Sales calculations for all purposes. Sales of Product for use in conducting clinical trials of Licensed Product in a country in order to obtain the regulatory approval of Licensed Compounds and/or Product in such country shall be excluded from Net Sales calculations for all purposes. Net Sales shall be determined in a manner consistent for all products sold by or on behalf of Alteon and in accordance with applicable U.S. generally accepted accounting principles.

1.23 **"Non-Parenteral Intravenous Formulation"** shall mean Licensed Product formulated ***.

1.24 **"OXIS Indemnitee"** shall have the meaning provided in Section 9.1(a).

1.25 **"OXIS Improvements"** shall mean any new invention related to active pharmaceutical ingredient production, formulation or chemical structure of the Licensed Processes and/or Licensed Compounds developed by OXIS whereby such improvements are covered under and/or disclosed by the Patents.

1.26 **"Patents"** shall mean, with respect to the Field, (a) patents and patent applications, existing as of February 28, 2004 as set for in Appendix A of the Prior Exclusive License Agreement; (b) any and all corresponding foreign patents and patent applications, whether now existing or hereafter filed, (c) provisionals, substitutions, divisionals, reexaminations, reissues, renewals, extensions, term restorations, continuations, continuations-in-part, substitute applications and inventors' certificates, arising from, or based upon, any of such patents or patent applications, and (d) patents issuing from any such patent applications.

1.27 "**Phase I Clinical Trial**" shall mean a human clinical trial in any country conducted by Alteon or its Affiliate to initially evaluate the safety of Licensed Product in human subjects or that would otherwise satisfy the requirements of 21 CFR 312.21(a) or the equivalent laws, rules or regulations in a regulatory jurisdiction outside the United States.

1.28 "**Phase II Clinical Trial**" shall mean a human clinical trial in any country conducted by Alteon or its Affiliate to initially evaluate the effectiveness of Licensed Product in human subjects with the disease or indication under study or that would otherwise satisfy the requirements of 21 CFR 312.21(b) or the equivalent laws, rules or regulations in a regulatory jurisdiction outside the United States.

1.29 "**Phase III Clinical Trial**" shall mean the first patient dosed in a pivotal human clinical trial in any country conducted by Alteon or its Affiliate the results of which could be used to establish safety and efficacy of the Licensed Product as a basis for approval of an NDA for such Licensed Product or Additional Product or that would otherwise satisfy the requirements of 21 CFR 312.21(c) or the equivalent laws, rules or regulations in a regulatory jurisdiction outside the United States.

1.30 **"Receiving Party"** shall have the meaning provided in Section 6.1.

1.31 **"Regulatory Approval"** shall mean approval of an NDA and satisfaction of any related applicable regulatory registration and notification requirements (if any).

1.32 **"Royalty Term"** shall mean, with respect to each country in which Licensed Product is sold, on a product-by-product basis, that time period beginning on the First Commercial Sale of such Licensed Product covered by a Valid Claim in such country and expiring, on a country-by-country basis, the expiration in such country of the last-to-expire Licensed Patent with a Valid Claim.

1.33 "Sublicense Fee" shall mean ***.

1.34 "Sublicensee" shall mean any Third Party to which Alteon or its Affiliate has granted rights in the to the Licensed Patents covering the Licensed Product pursuant to the terms of this Agreement.

1.35 "Term" shall have the meaning provided in Section 8.1.

1.36 "Third Party" shall mean any entity other than OXIS or Alteon or an Affiliate of OXIS or Alteon.

1.37 "U.S." shall mean the United States.

1.38 "Valid Claim" shall mean a claim of an issued patent included within the Licensed Patents in the Field, which claim has not lapsed, been cancelled or become abandoned irrevocably and has not been declared invalid or unenforceable by an unreversed and unappealable decision or judgment of a court or other appropriate body of competent jurisdiction, and which has not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise.

2. License;

2.1 License Grant. Subject to the terms and conditions of this Agreement, OXIS hereby grants to Alteon and its Affiliates during the Term, with respect to the Field an exclusive, sole, worldwide, royalty bearing license, with the right to grant sublicenses through multiple tiers of sublicenses, in, to, and under the Licensed Patents, Licensed Compounds, Licensed Know-How, Licensed Process, and Licensed Product to develop, distribute, market, make, have made, use, have used, sell, have sold, offer for sale, and import Licensed Compounds, Licensed Processes, and Licensed Products. For the avoidance of doubt, it is understood and acknowledged by the parties hereto that the Licensed Patents hereunder is identical to the Licensed Patents and all reformulations disclosed in and covered by the Licensed Patents under the Prior Exclusive License Agreement.

2.2 Sublicenses. In the event that Alteon sublicenses any of its rights hereunder to a Sublicensee pursuant to Section 2.1, such sublicense shall, as a condition to the effectiveness of such sublicense, include terms and conditions consistent with the terms and conditions of the license granted under this Agreement (including, without limitation, Sections 3.8 and 3.9 hereof). Sublicenses, if any, granted hereunder, will be to Third Parties in an arm's length transaction under written agreements (each, a "Sublicense Agreement"), copies of which will be provided to OXIS, and conditioned on such Sublicensees' agreement to accept and abide with the applicable terms and obligations of this Agreement or the Sublicense Agreement, as the case may be.

2.3 Disclosure of Licensed Know-How. . The parties hereto acknowledge that OXIS has provided Alteon with the Licensed Know-How required to give effect to the transactions contemplated herein.

2.4 Cross Reference Letters. OXIS agrees to provide Alteon within twenty (20) days of a written request from Alteon with a cross-reference letter to any OXIS regulatory applications and approvals relating to the Licensed Compounds. The cross-reference letter shall be without limitation to clinical phase of the ongoing study. Any such cross-reference letter shall remain in effect and may not be revoked by OXIS unless this Agreement is terminated. OXIS shall be notified and be provided with copies of such cross reference letters for the Licensed Compounds. Alteon shall be responsible for OXIS' reasonable fees and costs associated with the preparation of such cross-reference letters and any required subsequent actions relating thereto.

3. Consideration

3.1 Upfront Payment. In consideration for the Amended and Restated Exclusive License Agreement, Alteon will pay OXIS a non-refundable payment in the amount of Five Hundred Thousand US Dollars ($500,000) to be paid as follows: ***. Within Thirty days (30) from an affirmative Alteon shareholder approval of a financing by Alteon of at least Twenty million dollars (20,000,000 USD), Alteon shall pay OXIS for any amounts unpaid under this section. For the avoidance of doubt, it is hereby understood by the parties the payment of such $500,000 fee is in addition to the amounts previously paid in connection with the Prior Exclusive License Agreement.

3.2 Equity Investment. Within 14 days of the Effective Date, Alteon shall execute a share purchase agreement substantially in the form of Exhibit X hereto, for the purchase by Alteon and issuance by OXIS of Common Shares of OXIS, at a *** to the per share of common stock ***, but in any event not less than $*** per share, and for a total investment sum of $500,000. Such issued shares shall be held by Alteon for not less than *** from the date of their issuance (it being understood that Alteon may not transfer in any manner such shares during this *** period, except as may be required by law). During such *** period, OXIS shall use its commercially reasonable efforts to prepare a registration statement covering such shares (which may be also included in the context of *** so that upon the expiration of such period, the shares may be sold free or restrictions. Notwithstanding anything to the contrary, in the event that the equity investment by Alteon contemplated by this Section 3.2 causes under applicable accounting standards and guidelines a requirement to prepare, review or otherwise generate consolidated financial statements reflecting the financing results of Alteon and OXIS, the parties hereto agree to use good faith efforts to restructure the equity investment in a manner so that such principals of consolidation do not apply (e.g. the issuance of non-voting shares) while preserving the economic benefit of the investment in OXIS.

3.3 Alteon shall *** at least *** in the development program of *** for the development, discovery, regulatory advancement, intellectual property protection (which shall not include defenses against suits brought by third-parties against *** for infringement or other similar claims) and manufacture of the Licensed Product during the first *** following the execution of the this Amended and Restated Exclusive License Agreement *** hereunder. It is the express intent of the parties that such development program(s) either under license under this Agreement or pursuant to any Sublicense Agreement which may be entered into pursuant hereof be for ***.

*** AND the effect of any Sublicense Agreement on the royalty rates are below ***, then *** shall have a ***, not to exceed *** following its receipt of such reasonable ***, to enter into such ***.

3.4 Milestone Payments. Alteon will pay OXIS the amounts set forth below upon the first occurrence of each of the milestone events set forth below, each such payment to be made within *** days after achievement of such milestone event. ***.

***	***
***	***
***	***
***	***
***	***
***	***

3.5 *** the period as set forth in 3.3 of the *** shall *** has not yet been *** within the *** set forth in Section 3.3 relating to the *** at its sole option may make a payment to *** start at the end of such *** in the following amounts: ***.

3.6 Royalties. (a) Upon the ***, Alteon shall pay to OXIS an incremental, tiered annual royalty on a country by country basis equal to the applicable royalty rate set forth below of *** as follows:

Portion of Annual *** of Licensed Product	Royalty Rate
***	***
***	***
***	***
***	***

(b) Notwithstanding the royalty rates set forth above, in the event that (X) *** has NOT exercised any of its rights to *** AND (Y) Alteon is required to make actual payments of fees or royalties to bona fide third parties in connection with the commercialization, licensing or manufacture of Licensed Product ("Outside Payments"), then *** as follows:

(i) Subject to clause (iii) below, with respect to Outside Payments that are not related to the payment of royalties (the "Non-Royalty Outside Payments"), ***;

(ii) Subject to clause (iii) below, with respect to Outside Payments that are related to the payment of royalties (the "Royalty Outside Payments"), *** as follows:

(X) ***; and

(Y) ***.

(iii) Notwithstanding clauses (i) and (ii) above of this Section 3.6(b), in no event shall the royalty rates payable to OXIS under this Section 3.6 be ***.

(c) As used in this Section 3.6 only, Net Sales shall NOT include clause (f) of the definition of Net Sales contained in Section 1.21 hereof.

3.7 *** shall have the sole and exclusive right, and its sole discretion, to *** as follows (for the avoidance of doubt, it is hereby understood that each of the following provisions in this Section 3.7 shall be construed independent of the other so that the exercise of any right under on subsection of this Section 3.7 shall not limit or otherwise affect another subsection of this Section 3.7):

(a) Upon ***;

(b) On or before July 1, 2009, ***:

(i) ***; or

(ii) ***

(c) On or before July 1, 2010, ***;

(d) On or before July 1, 2012, ***;

(e) ***.

3.8 Sublicense Fee. (a) Subject to *** as hereinafter described in Section 3.8(b) below, Alteon or its Affiliates shall pay to OXIS an amount equal to *** of the Sublicense Fee received from any Sublicensee pursuant to the Sublicense Agreement. ***.

(b) *** shall have the sole and exclusive right, and its sole discretion, ***:

***.

3.9 Calculation and Payment of Royalties and Percentage of Sublicense Fees.

(a) Notwithstanding anything in this Agreement to the contrary, during the Royalty Term for a given country, the applicable royalty payable on *** in such country shall be *** of the royalty rate payable under Section 3.6 for so long as there is a *** covering such Licensed Product in such country. ***.

(b) Payments pursuant to Sections 3.4, 3.6 and 3.8 and reports for the sale of Licensed Product shall be calculated and reported for each calendar quarter. All payments due to OXIS pursuant to Sections 3.4, 3.6 and 3.8 shall be paid within *** of the end of each calendar quarter, unless otherwise specifically provided herein. Each such payment shall be accompanied by a report *** in U.S. dollars, the method used to calculate such royalty and the exchange rates used, as applicable. All payments to OXIS including those with respect to the Sublicense Fee will be paid within thirty (30) days of receipt of payments from Sublicensee.

3.10 Tax Withholding. Any tax required to be withheld by Alteon or any Affiliate or Sublicensee under the laws of any foreign country for the account of OXIS under this Article 3 shall be deducted from the applicable payment to OXIS and promptly paid by Alteon or said Affiliate or Sublicensee for and on behalf of OXIS to the appropriate governmental authority (provided that, if Alteon assigns its obligations under this Agreement to a non-U.S. Affiliate, the amount of any withholding taxes deducted from payments by such Affiliate to OXIS shall not exceed the amount of any withholding taxes that would have been deducted by Alteon had Alteon made such payment to OXIS), and Alteon or the Affiliate shall furnish OXIS with proof of payment of such tax together with official or other appropriate evidence issued by the appropriate governmental authority sufficient to enable OXIS to support a claim for income tax credit in respect of any sum so withheld.

3.11 Exchange Rate; Manner and Place of Payment. All payments hereunder shall be payable in U.S. dollars. For payments made on sales of Licensed Product, with respect to each quarter, for countries other than the U.S., whenever conversion of payments from any foreign currency shall be required, such conversion shall be made at a rate of exchange equal to the rate of exchange for the currency of the country from which payments are payable as published in *The Wall Street Journal, Western Edition*, on the last business day of the calendar quarter for which a payment is due. All payments owed under this Agreement shall be made by wire transfer to a bank and account designated in writing by OXIS, unless otherwise specified in writing by OXIS.

3.12 Prohibited Payments. Notwithstanding any other provision of this Agreement, if Alteon is prevented from making any such payment by virtue of the statutes, laws, codes or governmental regulations of the country from which the payment is to be made, then such royalty may be paid by depositing funds in the currency in which accrued to OXIS's account in a bank acceptable to OXIS in the country whose currency is involved.

3.13 Records; Audits. Alteon shall, and shall cause its Affiliates and Sublicensees to, keep complete and accurate records pertaining to the sale of Licensed Product and payment of Sublicense Fees in sufficient detail to permit OXIS to confirm the accuracy of payments due hereunder. Upon written request to Alteon by OXIS, and no more than ***, OXIS shall have the right to cause an independent, certified public accountant reasonably acceptable to Alteon to audit such records to confirm Net Sales and royalty payments and payments with respect to Sublicense Fees for any calendar year ending not more than three (3) years prior to the date OXIS requests such audit. OXIS agrees to treat, and to cause such accountant to treat, all such information as confidential and not to use or disclose any such information for any purpose except to determine compliance with this Agreement. For the avoidance of doubt, Alteon, its Affiliates and Sublicensees shall not be obligated to provide OXIS or such accountant with access to any records or information other than that which is necessary to confirm Net Sales, royalty payments or payments with respect to Sublicense Fees payable under this Agreement. Such audits may be exercised during normal business hours upon reasonable prior written notice to Alteon. If any audit or examination shall reveal a deficiency of any payment due, Alteon shall make payment to OXIS of such deficiency. Payment shall be made within ten (10) days following announcement of the results of the audit to Alteon and OXIS. The parties shall promptly make any adjustments necessary to reflect the results of such audit. OXIS shall bear the full cost of such audit unless such audit discloses a shortfall by more than *** from the actual amount of any payment due under this Agreement, in which case, Alteon shall bear the full cost of such audit.

4. Intellectual Property

4.1 Prosecution and Maintenance of Licensed Patents. Alteon shall control, prosecute and maintain all Patents included in the Licensed Patents. Alteon shall provide OXIS with an opportunity to review and discuss with Alteon prosecution strategy and to consult with Alteon on the content of patent filings with respect to Licensed Patents. Alteon shall be responsible for all costs, fees and expenses incurred from and after the Effective Date in connection with the filing, prosecution and maintenance of such Licensed Patents. Alteon undertakes to notify OXIS in writing in a timely manner if it does not desire to support the continued prosecution, appeals, or maintenance of any of the Patents included in the Licensed Patents. In the event Alteon declines to maintain any of the Patents included in the Licensed Patents, OXIS may, at its own expense, continue to prosecute or maintain such Licensed Patent, in which case all rights with respect to such Patents shall be transferred to OXIS.

4.2 Enforcement of Licensed Patents. Each party shall promptly notify the other in writing of any alleged or threatened infringement of any Patent included in the Licensed Patents of which such party becomes aware.

(a) With respect to any infringement or misappropriation in the United States, Europe or any other territory of any Patent included in the Licensed Patents, Alteon shall have the sole and exclusive first right, but not the obligation, to direct, bring and control any action or proceeding in its own name, with respect to such infringement or misappropriation at its own expense and by counsel of its own choice, and OXIS shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Alteon fails to bring such an action or proceeding, OXIS may commence such a proceeding and the fees and expenses associated with such proceeding shall be borne equally by OXIS and Alteon.

(b) In the event Alteon brings an infringement action in accordance with this Section 4.2, OXIS shall cooperate fully, including if required to bring such action, the furnishing of a power of attorney. ***.

4.3 Third Party Infringement Claims. Each party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the parties pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party. Alteon shall have the sole and exclusive right to control, direct or defend in its own name any defense, action, appeal of any such claim, action, proceeding, re-examination, opposition, at its own expense and by counsel of its own choice without the consent of OXIS. If Alteon fails to defend any such claim against OXIS, and the failure to so defend would have an adverse effect on any Patent within the Licensed Patents, then OXIS shall then have the right to assume the defense against such claim at its own expense and by counsel of its own choice. Neither party shall have the right to settle any patent infringement litigation under this Section 4.3 relating to the Patents in a manner that diminishes the rights or interests of the other party without the consent of such other party (which shall not be unreasonably withheld). During the pendency of any such proceeding or any appeal thereof, any payment hereunder to OXIS shall be paid by Alteon into an interest-bearing escrow account pending the outcome of such proceeding. Upon a favorable final resolution of such proceeding or any appeal thereof retaining the full rights, Alteon shall resume paying OXIS the full royalties, and all funds in such escrow account shall be paid to OXIS. Upon an unfavorable final resolution of such proceeding or any appeal thereof, the funds in such escrow account shall be applied toward the damage award in such action, if any, and the balance, if any, paid to OXIS.

4.4 Cooperation of the Parties. Each party agrees to cooperate fully in the preparation, filing, and prosecution of any Licensed Patents under this Agreement and in the obtaining and maintenance of any patent extensions, supplementary protection certificates and the like with respect to any Patent claiming a Licensed Product being developed or commercialized by Alteon or Sublicensees. Such cooperation includes, but is not limited to, promptly informing the other party of any matters coming to such party's attention that may affect the preparation, filing, prosecution or maintenance of any Patents.

5. Joint Development Committee.

(a) Formation of JDC. Alteon and OXIS shall form a separate Joint Development Committee ("JDC"). The JDC shall be comprised of *** members *** from Alteon; and *** from OXIS.

(b) Meetings. Meetings of each of the JDC may be called by either Party on *** written notice to the other unless such notice is waived by the Parties. Such committees may be convened, polled or consulted from time to time by means of telecommunication, video communication, or correspondence. The JDC will meet at least ***, at sites to be designated by the chairpersons of such committees or through teleconference or video conference, as agreed upon by the JDC.

(c) Agendas. Each Party will disclose to the other proposed agenda items along with appropriate Information at least *** in advance of each meeting of the JDC.

(d) Responsibilities of the JDC. The JDC will oversee the Parties' efforts for development and will oversee and coordinate the Parties' efforts with respect to Development. The JDC will review and comment on the Development Plans and Development Budgets and make non-binding recommendations as may be requested by either OXIS or Alteon with respect to adjustment of Development, budget and timetables and the assessment of whether a Licensed Product shall proceed to the next stage of Development. OXIS will update the JDC periodically, but at least ***, of all Development activities. The JDC will review and approve, with respect to Development, the addition of new indications, provided, however, that it is understood that the JDC shall act in a separate advisory capacity only and shall not at any time be deemed to be a committee or subcommittee of the Board of Directors or scientific advisory board of either OXIS or Alteon. The JDC shall not at any time be authorized to enter into agreements for itself or on behalf of either OXIS or Alteon.

(e) All decisions by the JDC that relate to Alteon/Oxis Development shall be made by ***, after an open and informed discussion of the matters as to which decisions are being made, including, but not limited to those matters relating to the portion of the Development Plan and Budget directed to Alteon/Oxis Development.

- All publication submissions, regulatory filings, by either company shall be first submitted to this committee for approval which approval shall not be unreasonably withheld

- Clinical Development Responsibilities: Alteon will be responsible for all clinical development, patent and regulatory filings, process development/manufacturing scale-up, supply of product (via third party contractor) and costs required to obtain regulatory approval in the U.S. and other Regulatory filings Oxis shall take all reasonable actions to permit Alteon development and commercialization to advance. OXIS shall provide any and all cross references letters to OXIS Drug Master Files or other regulatory files, for Product regulatory filings

6. Confidentiality

6.1 Confidentiality. The parties agree that, during the Term, and for a period of five (5) years thereafter, each party (the **"Receiving Party"**) will maintain in confidence, and will not use, all Confidential Information disclosed to it by the other party (the **"Disclosing Party"**) under this Agreement, except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties. The parties agree that the financial terms of the Agreement will be considered Confidential Information of both parties. The Receiving Party shall use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but at least reasonable care) to ensure that its employees, agents, consultants and other representatives do not disclose or make any unauthorized use of the Disclosing Party's Confidential Information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the other party's Confidential Information.

Public Disclosures. Subject to the further provisions of this Section, neither Party shall originate any written publicity, news release or public announcement, whether to the public or press, concerning this Agreement, including the subject matter to which it relates, performance under it or any of its terms, or any amendment hereto save only such announcements that are i) approved by both parties in which such approval shall not be unreasonable withheld; and ii) required by law (or the applicable rules of any securities exchange or market on which a Party's securities are listed or traded) to be made or that are otherwise agreed by the Parties or expressly permitted in this Agreement. Such announcements shall be factual and as brief as reasonable under the circumstances. In addition, each Party agrees to submit to the other Party, for review and written approval, any question and answer sheet or similar materials ("Q & A") prior to using such materials as the basis for written or oral disclosures, which written or oral disclosures must, in any event, be consistent in content with the information contained in the approved Q & A. Routine references to this Agreement and the arrangements hereunder shall be allowed in the usual course of business, and shall be consistent with any approved Q & A relating thereto. Once information has been approved for disclosure as part of an approved Q & A or publication under this Section, either Party may use such approved information in written publicity, news releases, public announcements and other future communications with Third Parties. If a Party decides to make an announcement or any filing with a governmental agency or securities exchange or market as required by law or the applicable rules of any securities exchange or market on which a Party's securities are listed or traded, it will give the other Party at least three (3) calendar days advance notice, where possible, of the text of the announcement or content of the filing so that the other Party will have an opportunity to comment upon the announcement or filing. To the extent that the receiving Party reasonably requests that any information in the materials proposed to be disclosed be maintained as confidential, the disclosing Party shall use commercially reasonable efforts to request confidential treatment of such information pursuant to Rule 406 of the Securities Act of 1933 or Rule 25b-2 of the Securities Exchange Act of 1934, as applicable (or any other applicable regulation relating to the confidential treatment of information), except to the extent that the disclosing Party receives advice from its legal counsel that such Confidential Information is required to be disclosed under applicable laws or regulations.

6.2 Exceptions. The obligations of confidentiality contained in Section 6.1 will not apply to the extent that it can be established by the Receiving Party by competent written evidence that such Confidential Information:

(a) was already known to the Receiving Party, other than under an obligation of confidentiality, at the time of disclosure by the Disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of this Agreement;

(d) was independently discovered or developed by the Receiving Party without the use of Confidential Information of the Disclosing Party; or

(e) was disclosed to the Receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation not to disclose such information to others.

6.3 Authorized Disclosure. The Receiving Party may disclose the Confidential Information of the Disclosing Party to the extent such disclosure is reasonably necessary in the following instances:

(a) filing, prosecuting or maintaining the Licensed Patents in accordance with this Agreement;

(b) practicing the licenses granted hereunder or preparing and submitting regulatory filings with respect to Licensed Products;

(c) prosecuting or defending litigation or complying with applicable court orders or governmental laws, rules or regulations including, but not limited to, disclosures required by the FDA or the Securities and Exchange Commission; or

(d) disclosure to Affiliates, Sublicensees, employees, consultants, agents or other Third Parties who have a need to know such information for purposes of this Agreement or in connection with due diligence or similar investigations, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Affiliate, Sublicensee, employee, consultant, agent or Third Party is subject to obligations of confidentiality and non-use comparable to those set forth in this Section 0.

Notwithstanding the foregoing, in the event a party is required to make a disclosure of the other party's Confidential Information pursuant to Section 6.3 (c), it will, except where impracticable, give reasonable advance notice to the other party of such disclosure and use efforts to secure confidential treatment of such information at least as diligent as such party would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder. The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by the parties with the Securities and Exchange Commission or as otherwise required by law and on any disclosure to Third Parties.

7. Representations and Warranties

7.1 Representations and Warranties of OXIS. OXIS represents and warrants to Alteon that, except for the Prior Exclusive License Agreement:

(a) OXIS has as of the Effective Date, and will have during the Term, sufficient rights and power to grant the licenses to Alteon which it purports to grant herein free and clear of any and all liens and any requirements of charges, fees, rights, conditions or restrictions of any kind and, as of the Effective Date;

(b) has not and will not grant, license, convey, assign, and/or transfer to any Third Party any rights to Licensed Patents, Licensed Compounds, Licensed Know-How, and Licensed Products, inconsistent with the licenses and other rights granted hereunder;

(c) is the sole owner, and has the entire right, title and interest in the Licensed Patent, Licensed Compounds, Licensed Products, and Licensed Know-How; and such Licensed Patents are valid, in full force, and enforceable.

(d) there are, as of the Effective Date, and during the Term shall be, no outstanding liens, encumbrances, agreements or understandings of any kind, requirements of charges, fees, rights, conditions or restrictions of any kind, either written, oral or implied, regarding the Licensed Patents or Licensed Products to which OXIS or its Affiliates is a party or which are binding upon OXIS its Affiliates which are inconsistent or in conflict with any provision of this Agreement;

(e) as of the Effective Date, OXIS or its Affiliates has received no written claim or accusation that the practice of the Licensed Products or the manufacture, use or sale of Licensed Products infringes or may infringe any Third Party patent;

(f) as of the Effective Date, OXIS or its Affiliates has not received a written notification of any interference proceeding, opposition proceeding, cancellation proceeding or other protest proceeding relating to the Licensed Patents being instituted against OXIS or its Affiliates; and

(g) no obligations of any kind currently exist on the part of OXIS with respect to the Prior Exclusive License Agreement, and OXIS has materially complied with all terms and conditions of the Prior Exclusive License Agreement (except in the case where any such obligation is already qualified by materiality in which case this representation shall be deemed to apply without further qualification).

7.2 Mutual Representations and Warranties. Each party hereby represents and warrants to the other party that:

(a) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder;

(b) this Agreement is a legal and valid obligation binding upon it and enforceable in accordance with its terms; and

(c) the execution, delivery and performance of this Agreement do not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

7.3 Representations and Warranties of Alteon.
Alteon represents and warrants that:

(a) the merger and related transactions with relating to [Alteon] have been completed as contemplated by the original [Agreement of Merger] (the "Merger");

(b) Alteon is the successor-in-interest to HaptoGuard, Inc. with respect to the Prior Exclusive License Agreement and the transactions contemplated therein;

(c) no obligations of any kind currently exist on the part of Alteon with respect to the Prior Exclusive License Agreement, and Alteon has materially complied with all terms and conditions of the Prior Exclusive License Agreement (except in the case where any such obligation is already qualified by materiality in which case this representation shall be deemed to apply without further qualification);

(d) with respect to the Warrant (as defined in the Prior Exclusive License Agreement), such Warrant has been duly and validly exercised by means of a deemed "cashless" exercise in connection with the Merger and 551,800 shares of Alteon have been issued to OXIS in connection with such exercise; and ;

(e) Alteon has not sublicensed or entered into any agreement, commitment or understanding to sublicense (or engage in any other similar transaction) any of Licensed Patents, Licensed Know-How, Licensed Processes or Licensed Product either under this Agreement or the Prior Exclusive License Agreement.

7.4 Disclaimer. Except as expressly set forth herein, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT, MERCHANTIBILITY, AND FITNESS FOR A PARTICULAR PURPOSE.

7.5 Performance by Affiliates. The parties recognize that each may perform some or all of its obligations under this Agreement through Affiliates and/or Sublicensees; *provided, however,* that each party shall remain responsible and be guarantor of the performance by its Affiliates and/or Sublicensees and shall cause its Affiliates and/or Sublicensees to comply with the provisions of this Agreement in connection with such performance, and that such performance through Affiliates and/or Sublicensees shall not adversely affect the rights of the other party.

8. Term; Termination

8.1 Term. The term of this Agreement will commence as of the Effective Date of this Agreement and, unless sooner terminated as provided hereunder, will terminate upon the expiration of the last Royalty Term (the **"Term"**). Upon expiration of the Royalty Term in a given jurisdiction, Alteon shall continue to have a license on the terms described in Section 2.1, except that such license shall be fully paid, perpetual, irrevocable and nonexclusive.

8.2 Termination by Alteon. Alteon shall have the right to terminate this Agreement for any reason or for no reason upon one hundred and eighty (180) days' written notice to OXIS. Any payment under Section 3made after the date Alteon notifies OXIS of termination under this Section 8.2 shall be the pro rata amount due for the period prior to the effective date of such termination.

8.3 Termination by OXIS. In the event that Alteon fails to timely make any payment and such failure continues for thirty (30) days following Notice by OXIS, OXIS shall have the right at any time to terminate this Agreement forthwith upon written notice to Alteon.

8.4 Termination for Cause. Each party shall have the right to terminate this Agreement upon thirty (30) days' written notice to the other upon the occurrence of any of the following:

(a) Upon or after bankruptcy, insolvency, dissolution or winding up or assignment for the benefit of creditors of the other party (other than a dissolution or winding up for the purpose of reconstruction or amalgamation) or a petition is filed for any of the foregoing and is not removed within ninety (90) days; or

(b) Upon or after the breach of any material provision of this Agreement by the other party, including, with respect to Alteon, its Affiliates, (other than as provided in Section 8.3) if the breaching party has not cured such breach within the thirty (30) day period following written notice of termination by the non-breaching party.

8.5 Effect of Termination; Surviving Obligations.

(a) Upon termination of this Agreement by OXIS pursuant to Section 8.3 or by either party pursuant to Section 8.4, all rights and obligations of the parties under this Agreement shall terminate (except that if OXIS terminates this Agreement only as to a particular country or countries under Section 8.4 (b) then the rights and obligations of the parties under this Agreement shall terminate only as to such country or countries), except as set forth in this Section 8.5.

(b) Upon termination of this Agreement by Alteon pursuant to Section 8.2(where Alteon has not committed a breach of this Agreement permitting termination by OXIS under Section 8.3 or 8.4) all rights to the Licensed Patents, Licensed Compounds, Licensed Know-How, Licensed Process, and Licensed Product and the Licensed Compounds shall revert to OXIS.

(c) Expiration or termination of this Agreement shall not relieve the parties of any obligation accruing prior to such expiration or termination. Except as expressly set forth elsewhere in this Agreement, the obligations and the rights of the parties shall survive expiration or termination of this Agreement.

8.6 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by either party to the other party are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The parties agree that the party not subject to bankruptcy proceedings, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against any party under the U.S. Bankruptcy Code, the other party will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and same, if not already in its possession, will be promptly delivered to them (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by the party not subject to bankruptcy proceedings, unless the other party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of either party upon written request therefor by the other party.

8.7 Remedies. In the event of any breach of any provision of this Agreement, in addition to the termination rights set forth herein, each party shall have all other rights and remedies at law or equity to enforce this Agreement.

9. Indemnification; Dispute Resolution

9.1 Indemnification.

(a) Alteon hereby agrees to save, defend, indemnify and hold harmless OXIS, its directors, officers, employees, agents and Affiliates (and its directors, officers, employees and agents) (each, a "**OXIS Indemnitee**") from and against any and all losses, damages, liabilities, expenses and costs, including reasonable legal expenses and attorneys' fees ("**Losses**"), to which a OXIS Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of (a) the practice by Alteon of the license granted under Section 2.1, or (b) the development, manufacture, handling, storage, sale or other disposition of any Licensed Product by Alteon and its Affiliates and Sublicensees, except to the extent such Losses result from the willful misconduct of any OXIS Indemnitee.

(b) OXIS hereby agrees to save, defend, indemnify and hold harmless Alteon, its directors, officers, employees and agents, its Affiliates (and its directors, officers, employees and agents) and its Sublicensees (and its directors, officers, employees and agents) (each, a "**Alteon Indemnitee**") from and against any and all Losses to which a Alteon Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of the material breach by OXIS of any of its representations, warranties or obligations hereunder, except to the extent such Losses result from the willful misconduct of any Alteon Indemnitee.

(c) In the event a party seeks indemnification under Section 9 9.1(a) or 9 9.1 (b), it shall inform the other party (the "**Indemnifying Party**") of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim.

9.2 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF CONFIDENTIALITY OR FOR INFRINGEMENT OR MISAPPROPRIATION, NEITHER PARTY SHALL B E ENTITLED TO RECOVER FROM THE OTHER PARTY ANY INDIRECT, SPECIAL, INCIDENTIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING BUT NOT LIMITED TO, LOST PROFITS, ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL ALTEON'S LIABILITY HEREIN SHALL EXCEED IN THE AGGREGATE THE AMOUNTS ACTUALLY PAID OR PAYABLE TO OXIS UNDER THS AGREEMENT.

9.3 Insurance. From and after such time as Alteon or any of its Sublicensees first commences human clinical trials of Licensed Product, Alteon shall, or shall cause each such Sublicensee to, at its own expense, maintain product liability insurance in an amount consistent with industry standards during the Term. Such liability insurance shall name OXIS as a named co-insured, and Alteon shall provide to OXIS regularly, and no less frequently than annually. Certificates evidencing OXIS coverage as a named co-insured and specifying the limits of such coverage.

9.4 Dispute Resolution. All disputes arising out of or related to this Agreement, including disputes that may involve the parent companies, subsidiaries and Affiliates of any party performing hereunder (***"Disputes"***), shall be resolved in accordance with this Section 9 9.4.

(a) Any Dispute shall be settled by binding arbitration by one arbitrator selected by the parties, or if they cannot agree, each party shall select an arbitrator and the two arbitrators shall select a third arbitrator. The decision of the arbitrator(s) shall be final and binding on the parties. The arbitration shall be conducted in New York, New York . The arbitral tribunal shall exert its best efforts to conduct the proceedings so as to issue an award within nine (9) months of the appointment of the arbitrator(s).

(b) The merits of any Dispute shall be decided in accordance with the law governing this Agreement, without application of any principle of conflict of laws. Each party expressly waives any right it may have to a trial by jury of any Dispute, and also expressly waives any right it may have to seek or to be awarded special or punitive damages on account of any matter that is the subject of a Dispute. Nothing herein shall limit or restrict a party's ability to seek injunctive or other equitable relief in the event of a breach or anticipated breach of Section 0.

(c) The arbitral tribunal may grant any relief appropriate under the applicable law, but may not include any penalty or element of punitive or exemplary damages. The arbitral tribunal may award the costs and expenses of the arbitration. Any party may seek emergency, interim or provisional relief prior to the appointment of an arbitrator from any court of competent jurisdiction, without prejudice to the agreement to arbitrate herein contained. After appointment of an arbitrator, any request for such relief shall be addressed to the arbitrator, who shall have the power to enter an interim award granting any emergency, interim or provisional relief to which a party may be entitled under applicable law.

(d) Any award of money shall be in U.S. dollars. The award of the tribunal may be entered and enforced in any court of competent jurisdiction. A court called upon to enforce such an award may require a party resisting enforcement to pay the reasonable attorney fees and costs of the party seeking enforcement.

(e) Any duty to arbitrate under this Agreement shall remain in effect and enforceable after termination of this Agreement for any reason.

(f) Each party has the right before or during the arbitration to seek and obtain from the appropriate court provisional remedies, such as attachment, preliminary injunction or replevin, to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration. This Section 9.4 shall not apply to any dispute, controversy or claim that concerns (i) the validity or infringement of a patent, trademark or copyright; or (ii) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

10. Miscellaneous Provisions

10.1 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York , excluding its conflicts of laws principles.

10.2 Entire Agreement; Modification. This Agreement (including the Exhibits hereto) is both a final expression of the parties' agreement and a complete and exclusive statement with respect to all of its terms, provided, however, the parties hereby acknowledge the following with respect to the Prior Exclusive License Agreement: (a) all fees, royalties or other payments contemplated by the Prior Exclusive License Agreement have been either paid in accordance with the Prior Exclusive License Agreement; (b) except with respect to clause (c) below, to the extent that any non-payment right, obligation or liability under the Prior Exclusive License Agreement exists and is continuing after giving effect to this Agreement, the parties agree to waive such obligations with respect to each party hereto and also not to assert such rights against the other party hereto; (c) to the extent that any existing right, obligations or liabilities which may be subject to Section 9 of the Prior Exclusive License Agreement, the parties hereto agree that such rights shall continue and survive as contemplated by this Agreement. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. No rights or licenses with respect to any intellectual property of either party are granted or deemed granted hereunder o r in connection herewith, other than those rights expressly granted in this Agreement. No trade customs, courses of dealing or courses of performance by the parties shall be relevant to modify, supplement or explain any term(s) used in this Agreement. This Agreement may not be modified or supplemented by any purchase order, change order, acknowledgment, order acceptance, standard terms of sale, invoice or the like. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties to this Agreement.

10.3 Relationship Between the Parties. The parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the parties. Neither party is a legal representative of the other party, and neither party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other party for any purpose whatsoever.

10.4 Non-Waiver. The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party.

10.5 Assignment. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld); *provided, however*, that either party may assign this Agreement and its rights and obligations hereunder without the other party's consent in connection with the transfer or sale of all or substantially all of the business of such party to which this Agreement relates to an Affiliate or Third Party provided the successor's financial strength is at least as great as the assignor's., whether by merger, sale of stock, sale of assets or otherwise. In the event of such transaction, however, intellectual property rights of the acquiring party to such transaction (if other than one of the parties to this Agreement), which are not specific to Licensed Compound or Licensed Product, shall not be included in the technology licensed hereunder. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties. Any assignment not in accordance with this Agreement shall be void.

10.6 No Third Party Beneficiaries. This Agreement is neither expressly nor impliedly made for the benefit of any party other than those executing it.

10.7 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

10.8 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or facsimile confirmed thereafter by any of the foregoing, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earlier of: (a) the date of actual receipt; (b) if mailed, five (5) business days after the date of postmark; or (c) if delivered by overnight courier with guaranteed next day delivery, the next business day the overnight courier regularly makes deliveries.

If to Alteon, notices must be addressed to:

Alteon, Inc.
221 W. Grand Avenue
Suite 200
Montvale, NJ 07645
Office: (201) 818-5860
Fax: (201) 934-0090

Attention: Chief Executive Officer

With copies to:
Pearl Cohen Zedek Latzer , LLP
1500 Broadway, 12th Floor
New York, New York 10036
Attention: Mark S. Cohen, Esq
Telephone: +646 878 0804
Facsimile: + 646 878 0801

If to OXIS, notices must be addressed to:

OXIS International, Inc.
323 Vintage Park Drive, Suite B
Foster City, CA 94404
Phone: 650-212-2568
Attention: Chief Executive Officer

10.9 Force Majeure. Each party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement other than failure to pay when due by reason of any event beyond such party's reasonable control including but not limited to Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, terrorism, civil unrest, accident, destruction or other casualty, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, any strike or labor disturbance, or any other event beyond reasonable control of the parties similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the party has not caused such event(s) to occur. Notice of a party's failure or delay in performance due to force majeure must be given to the other party within ten (10) calendar days after its occurrence. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure. In no event shall any party be required to prevent or settle any labor disturbance or dispute.

10.10 Legal Fees. If any party to this Agreement resorts to any legal action or arbitration in connection with this Agreement, the prevailing party shall be entitled to recover reasonable fees of attorneys and other professionals in addition to all court costs and arbitrator's fees which that party may incur as a result.

10.11 Headings. The headings contained in this Agreement have been added for convenience only and shall not be construed as limiting or used in the interpretation of this Agreement.

10.12 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

[remainder of this page intentionally left blank]

In Witness Whereof, the parties hereto have duly executed this **Amended ad restated Exclusive License Agreement** , including the Exhibit attached hereto and incorporated herein by reference.

OXIS INTERNATIONAL.
By:
Name:
Title:

ALTEON, INC.
By:
Name:
Title:

By:
Name:
Title:

***CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

EXHIBIT A

***

Exhibit 31.1

CERTIFICATION

I, Marvin S. Hausman, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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: August 14, 2007

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 quarterly report on Form 10-QSB 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: August 14, 2007

By: /s/ Marvin S. Hausman

Marvin S. Hausman
Acting Principal Accounting and Financial Officer

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of OXIS International, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 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: August 14, 2007

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 periodic report of OXIS International, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 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: August 14, 2007

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.