

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

FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **September 30, 2010**
- For the transition period from _ to _.

Commission File Number 0-8092

OXIS INTERNATIONAL, INC.

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

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1620407
(I.R.S. employer
identification number)

468 N. Camden Dr., 2nd Floor, Beverly Hills, CA 90210
(Address of principal executive offices and zip code)

(310) 860-5184
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

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

At November 12, 2010, the issuer had outstanding the indicated number of shares of common stock: 144,671,976.

OXIS INTERNATIONAL, INC.
FORM 10-Q
For the Quarter Ended September 30, 2010

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of September 30, 2010 and December 31, 2009

	September 30,	December 31,
	2010	2009
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 181,000	\$ 1,293,000
Prepaid expenses	78,000	—
Total Current Assets	<u>259,000</u>	<u>1,293,000</u>
Property, plant and equipment, net		
Patents, net		
	63,000	84,000
Goodwill and other assets, net		
	7,000	7,000
Total Other Assets	<u>70,000</u>	<u>91,000</u>
TOTAL ASSETS	<u>\$ 329,000</u>	<u>\$ 1,384,000</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 624,000	\$ 925,000
Accrued interest	1,370,000	1,133,000
Accrued expenses	346,000	271,000
Warrant liability	1,081,000	2,405,000
Demand note payable	205,000	180,000
Convertible debentures net of discounts of \$0 and \$0	<u>1,564,000</u>	<u>1,945,000</u>
Total Current Liabilities	5,190,000	6,859,000
Convertible debentures, net of discount of \$406,000 and \$1,751,000	<u>404,000</u>	<u>249,000</u>
Total Liabilities	<u>5,594,000</u>	<u>7,108,000</u>
Stockholders' Deficit:		
Convertible preferred stock - \$0.01 par value; 15,000,000 shares authorized:		
Series C - 96,230 and 96,230 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	1,000	1,000
Series H - 25,000 and 25,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	—	—
Common stock - \$0.001 par value; 150,000,000 shares authorized; 144,277,804 and 67,040,809 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively		
	144,000	67,000
Additional paid-in capital	74,023,000	71,308,000
Accumulated deficit	<u>(79,433,000)</u>	<u>(77,100,000)</u>
Total Stockholders' Deficit	<u>(5,265,000)</u>	<u>(5,724,000)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 329,000</u>	<u>\$ 1,384,000</u>

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

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Three Months and Nine Months Ended September 30, 2010 and 2009

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Revenue:				
Product revenues	\$ —	\$ —	\$ —	\$ 35,000
License revenues	—	—	—	—
TOTAL REVENUE	—	—	—	35,000
Cost of Product Revenue	—	3,000	—	24,000
Gross profit	—	(3,000)	—	11,000
Operating Expenses:				
Research and development	66,000	—	160,000	—
Selling, general and administrative	588,000	84,000	1,811,000	453,000
Total operating expenses	654,000	84,000	1,970,000	453,000
Loss from Operations	(654,000)	(87,000)	(1,970,000)	(442,000)
Interest income	—	3,000	—	11,000
Change in value of warrant and derivative liabilities	44,000	(48,000)	59,000	(94,000)
Interest expense	(23,000)	(136,000)	(422,000)	(384,000)
Total Other Income (Expense)	21,000	(181,000)	(363,000)	(467,000)
Loss before provision for income taxes	(633,000)	(268,000)	(2,333,000)	(909,000)
Provision for income taxes	—	—	—	—
Net loss	<u>\$ (633,000)</u>	<u>\$ (268,000)</u>	<u>\$ (2,333,000)</u>	<u>\$ (909,000)</u>
Loss Per Share				
Basic	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted Average Shares Outstanding				
Basic	124,506,306	46,850,809	100,054,520	46,850,809
Diluted	124,506,306	46,850,809	100,054,520	46,850,809

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

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Deficit
For the Nine Months Ended September 30, 2010 (unaudited) and
Year Ended December 31, 2009

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-</u>	<u>Accumulated</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>in</u> <u>Capital</u>	<u>Deficit</u>
Balance, December 31, 2008	121,230	\$ 1,000	46,850,809	\$ 47,000	\$ 71,126,000	\$ (74,854,000)
Issuance of common stock			20,190,000	20,000	182,000	
Net loss						(2,246,000)
Balance, December 31, 2009	121,230	\$ 1,000	67,040,809	\$ 67,000	\$ 71,308,000	\$ (77,100,000)
Issuance of stock options					62,000	
Issuance of common stock for services			3,763,278	4,000	503,000	
Conversion of debt			70,147,995	70,000	2,107,000	
Exercise of stock options			100,000		20,000	
Exercise of warrants			3,225,722	3,000	23,000	
Net loss						(2,333,000)
Balance, September 30, 2010	<u>121,230</u>	<u>\$ 1,000</u>	<u>144,277,804</u>	<u>\$ 144,000</u>	<u>\$ 74,023,000</u>	<u>\$ (79,433,000)</u>

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

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2010 and 2009

	Nine months Ended September 30,	
	2010	2009
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,333,000)	\$ (909,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	21,000	41,000
Stock compensation expense for options and warrants issued to employees and non-employees	569,000	—
Amortization of debt discounts	369,000	48,000
Change in value of warrant and derivative liabilities	59,000	132,000
Consulting expenses	—	90,000
Changes in operating assets and liabilities:		
Accounts receivable	—	(13,000)
Prepaid expense and other current assets	(78,000)	(48,000)
Accounts payable	(77,000)	69,000
Accrued expenses	312,000	335,000
Net cash used in operating activities	(1,158,000)	(255,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of options and warrants	46,000	—
Proceeds of short-term borrowings	—	233,000
Net cash provided by financing activities	46,000	233,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,112,000)	(22,000)
CASH AND CASH EQUIVALENTS - Beginning of period	1,293,000	22,000
CASH AND CASH EQUIVALENTS - End of period	\$ 181,000	\$ —

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

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(UNAUDITED)

Note 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, nutraceutical and therapeutic products and cosmeceutical products, which includes new technologies applicable to conditions and diseases associated with oxidative stress. OXIS has historically derived its revenues primarily from sales of research diagnostic assays to research laboratories – a business segment which is no longer operated or owned by OXIS (*see below for transaction description related to Percipio*). The Company's diagnostic products included twenty-five research assays to measure markers of oxidative stress and other functions. During 2008, the Company determined to focus its resources on the development and sale of nutraceutical, therapeutic and other products based on its patents for Ergothioneine, Superoxide Dismutase related compounds (SOD's), Glutathione Peroxidase (GPx), Myeloperoxidase (MPO), BXT and other proprietary compounds. The Company intends to continue to supplement its intellectual property in the area of oxidative stress while emphasizing its core focus on developing and marketing products utilizing existing patents and know how.

OXIS' majority owned subsidiary up until June 19, 2008, BioCheck Inc. ("BioCheck"), offered its clinical laboratory and *in vitro* diagnostics customers over 40 clinical diagnostic assays. BioCheck's primary product line consisted of enzyme linked immunosorbent assay, or ELISA, kits that are widely used in medical laboratory settings. Holders of OXIS' convertible debentures foreclosed on most of the shares of BioCheck owned by OXIS in June 2008, and subsequently purchased the remaining 2% interest in BioCheck for \$40,000 in October 2008. Accordingly, since 2008 OXIS no longer has an ownership interest in BioCheck.

On December 11, 2008, the Company closed an Asset Purchase Agreement with Percipio Biosciences, Inc. ("Percipio"), pursuant to which the Company agreed to sell certain assets of its assay business division including certain account receivables, patents and trademarks ("Assay Assets"). The Assay Assets that were sold to Percipio did not include any rights, title, and interest related to our ability to market and sell nutraceutical or therapeutic products, such as with, but not limited to, the sale of ergothioneine or superoxide dismutase as a nutraceutical or therapeutic product. In consideration of the Assay Assets, Percipio provided OXIS with a 6% secured promissory note ("Percipio Note"), in the principal amount of \$250,000. OXIS disposed of the Percipio Note in April 2009.

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 accompanying interim condensed consolidated financial statements have been prepared, without audit, in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission. While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's annual report filed on Form 10-K for the fiscal year ended December 31, 2009.

The results and trends on these interim condensed consolidated financial statements for the three months and nine months ended September 30, 2010 and 2009 may not be representative of those for the full fiscal year or any future periods.

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(UNAUDITED)

Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of \$79,433,000 through September 30, 2010. On a consolidated basis, the Company had cash and cash equivalents of \$181,000 at September 30, 2010. The Company's plan is to raise additional capital until such time that the Company generates sufficient revenues to cover its cash flow needs and/or it achieves profitability. However, the Company cannot assure that it will accomplish this task and there are many factors that may prevent the Company from reaching its goal of profitability.

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

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.

Revenue Recognition

Product Revenue

The Company manufactures, or has manufactured on a contract basis, fine chemicals and nutraceutical products, which are its primary products to be sold to customers. Revenue from the sale of its products, including shipping fees, will be 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 collectability is reasonably assured. Revenue from sales to distributors of its products will be 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.

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.

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

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.

Segment Reporting

The Company operates in one reportable segment.

Stock Based Compensation to Employees

The Company accounts for its stock-based compensation for employees in accordance with Accounting Standards Codification ("ASC") 718. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees over the related vesting period.

The Company granted stock options to purchase 12,284,761 and 0 shares of the Company's common stock to employees and directors during the nine months ended September 30, 2010 and 2009, respectively. The fair values of employee stock options are estimated for the calculation of the pro forma adjustments at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions during 2010: expected volatility of 12%; average risk-free interest rate of 2.28%; initial expected life of 5 years; no expected dividend yield; and amortized over the vesting period of typically one to four years. The Company reported an expense for share-based compensation for its employees and directors of \$110,000 and 0 for the nine months ended September 30, 2010 and 2009, respectively.

Stock Based Compensation to Other than Employees

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with ASC 718. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably determinable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. The Company recognized \$0 and \$0 in share-based compensation expense for non-employees for the nine months ended September 30, 2010 and 2009, respectively.

Earnings Per Share

Basic earnings per share is computed by dividing the net income or 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. Since the Company incurred a net loss for the nine months ended September 30, 2010 and 2009, all instruments convertible into shares of common stock are excluded from net diluted loss per share because of their anti-dilutive effect. Total potentially dilutive shares excluded from the calculation of earnings per share at September 30, 2010 totaled 91,195,903.

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Recent Accounting Pronouncements

In June 2009, the FASB issued guidance under ASC Topic 105 Generally Accepted Accounting Principles as it relates to the FASB's accounting standards codification. This standard replaces previously established guidance, and establishes only two levels of U.S. generally accepted accounting principles ("GAAP"), authoritative and non-authoritative. The FASB Accounting Standards Codification (the "Codification") will become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission ("SEC"), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Company began to use the new guidelines and numbering system prescribed by the Codification when referring to GAAP in the third quarter of 2009. As the Codification was not intended to change or alter existing GAAP, it will not have any impact on the Company's consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-13, "Revenue Recognition (Topic 605) – Multiple Deliverable Revenue Arrangements." ASU No. 2009-13 eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and expands the disclosures related to multiple deliverable revenue arrangements. ASU No. 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. The adoption of ASU No. 2009-13 is not expected to have a material impact on the Company's results of operations or financial position.

In September 2009, the FASB also ratified authoritative accounting guidance requiring the sales of all tangible products containing both software and non-software components that function together to deliver the product's essential functionality to be excluded from the scope of the software revenue guidance. The Company adopted the guidance on a prospective basis during the three months ended September 27, 2009 effective for all periods in 2009. Prior to the adoption of this guidance, the Company assessed all software items included in the Company's product offerings to be incidental to the product itself and, therefore, excluded all sales from the scope of the related software revenue guidance. As a result, the adoption of this guidance had no impact on the Company's consolidated financial statements.

Fair Value Measurements

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The Company's Level 1 assets include cash equivalents, primarily institutional money market funds, whose carrying value represents fair value because of their short-term maturities of the investments held by these funds.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The Company's Level 2 liabilities consist of two liabilities arising from the issuance of a convertible debenture in 2006 and in accordance with EITF 00-19: a warrant liability for detachable warrants, as well as an accrued derivative liability for the beneficial conversion feature. These liabilities are remeasured on a quarterly basis. Fair value is determined using the Black-Scholes valuation model based on observable market inputs, such as share price data and a discount rate consistent with that of a government-issued security of a similar maturity.

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Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table represents the Company's assets and liabilities by level measured at fair value on a recurring basis at September 30, 2010.

Description	Level 1	Level 2	Level 3
Assets	\$ —	\$ —	\$ —
Liabilities			
Warrant liability	—	1,081,000	—

Note 2 -- Debt

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 were due on October 25, 2008. The Debentures are convertible, at the option of the Purchasers, at any time, into shares of common stock at \$0.35 per share, as adjusted pursuant to a full ratchet anti-dilution provision (the "Conversion Price"). Beginning on the first of the month beginning February 1, 2007, the Company was required to amortize the Debentures in equal installments on a monthly basis resulting in a complete repayment by the maturity date (the "Monthly Redemption Amounts"). The Monthly Redemption Amounts can be paid in cash or in shares, subject to certain restrictions. If the Company chooses to make any Monthly Redemption Amount payment in shares of common stock, the price per share is the lesser of the Conversion Price then in effect and 85% of the weighted average price for the 10 trading days prior to the due date of the Monthly Redemption Amount.

The Company has not made required monthly redemption payments beginning on February 1, 2007 to purchasers of debentures issued in October 2006. Pursuant to the provisions of the Secured Convertible Debentures, such non-payment is an event of default. Penalty interest accrues on any unpaid redemption balance at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Upon an event of default, each purchaser has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the debenture plus accrued but unpaid liquidated damages and interest. If the Company continued to fail to make such payments in full, the purchasers have the right sell substantially all of the Company's assets pursuant to their security interest to satisfy any such unpaid balance. The Purchasers have a right of first refusal to participate in up to 100% of any future financing undertaken by the Company until the later of the date that the Debentures are no longer outstanding and the one year anniversary of the effective date of the registration statement. The Company was restricted from issuing shares of common stock or instruments convertible into common stock for 90 days after the effective date of the registration statement with certain exceptions. The Company is also prohibited from effecting any subsequent financing involving a variable rate transaction until such time as no Purchaser holds any of the Debentures. In addition, until such time as any Purchaser holds any of the securities issued in the Debenture transaction, if the Company issues or sells any common stock or instruments convertible into common stock which a Purchaser reasonably believes is on terms more favorable to such investors than the terms pursuant to the Transaction Documents, the Company is obligated to amend the terms of the Transaction Documents to such Purchaser the benefit of such better terms.

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(UNAUDITED)

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

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

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

On April 9, 2008 and April 28, 2008, the Company was sent demand letters from one of the Purchasers, Bristol Investment Fund, Ltd. ("Bristol") stating that the Company was in default under the Debentures due to lack of payment of required monthly principal installment payments starting in February 1, 2007. At the time of the April 9, 2008 letter, the Company and Bristol were in active negotiations on a proposed financing transaction which would provide the Company an opportunity to resolve the existing default under the Debentures. The proposed financing transaction was not accepted by all Purchasers and therefore was not executed. In the April 28, 2008 letter, Bristol demanded that the Company provide them with a definitive plan of action to resolve the existing default within three business days. Bristol did not make any specific demands for other costs, expenses or liquidated damages to date. On May 30, Cranshire Capital, LP ("Cranshire"), another Purchaser, sent a letter to the Company stating that the Company was in default on the Debentures and that Cranshire intended to seek all potential remedies. In response to the default letters received from Bristol and Cranshire, the Company's management had communicated its plan to pay all amounts due under the terms of the Debentures upon the sale of its 53% interest in BioCheck, Inc. and its research assay business prior to the maturity date of the Debentures on October 25, 2008 and referenced four non-binding letters of intent that it had received from potential purchasers. The indications of value contained in the letters of intent would provide, if closed, funds sufficient to pay off the Purchasers and additionally provide cash resources to support a business plan based on its neutraceutical and therapeutic assets. The Company was in active negotiations with the Purchasers aimed at resolving the existing default under the Debentures and avoiding the foreclosure sale.

On June 6, 2008, the Company received notification from Bristol that the collateral held under the Security Agreement would be sold to the highest qualified bidder on Thursday, June 19, 2008. On June 16, 2008, the Company requested that the debenture holders retract their Notice of Disposition of Collateral. Also on June 16, 2008, the Company issued a press release announcing that the Company's four Purchasers had been notified that the sale of its majority interest in BioCheck Inc. and its diagnostic businesses were proceeding in a timely manner, and that the recently commenced foreclosure efforts would both jeopardize repayment efforts and harm shareholder value.

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During November and December 2009, Bristol converted \$177,900 of the principal amount for 17,790,000 shares of the Company's common stock.

During the first quarter of 2010, Bristol converted an additional \$74,000 of the principal amount for 7,400,000 shares of the Company's common stock.

During the second quarter of 2010, Bristol converted an additional \$194,000 of the principal amount for 19,400,000 shares of the Company's common stock.

During the third quarter of 2010, Bristol converted an additional \$98,000 of the principal amount for 9,800,000 shares of the Company's common stock.

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

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

At September 30, 2010 and December 31, 2009, the Company determined the fair value of the warrants was \$138,000 and \$196,000, respectively.

On October 1, 2009, the Company entered into a financing arrangement with several accredited investors (the "October 2009 Investors"), pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of \$2,000,000 (the "October 2009 Financing"). In connection with the October 2009 Financing, the Company issued the following securities to the October 2009 Investors:

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- 0% Convertible Debentures in the principal amount of \$2,000,000 due 24 months from the date of issuance (the “Debentures”), convertible into shares of the Company’s common stock at a per share conversion price equal to \$0.05 per share;
- Series A warrant to purchase such number of shares of the Company’s common stock equal to 50% of the principal amount invested by each investor (the “Class A Warrants”) resulting in the issuance of Class A Warrants to purchase 20,000,000 shares of common stock of the Company.
- Series B warrant to purchase such number of shares of the Company’s common stock equal to 50% of the principal amount invested by each investor (the “Class B Warrants”) resulting in the issuance of Class B Warrants to purchase 20,000,000 shares of common stock of the Company.

The full principal amount of the Debentures is due upon default under the terms of the Debentures. The Class A Warrants and Class B Warrants (collectively, the “Warrants”) are exercisable for up to five years from the date of issue at a per share exercise price equal to \$0.0625 and \$0.075 for the Class A Warrants and the Class B Warrants, respectively, on a cash or cashless basis. The Debentures and the Warrants are collectively referred to herein as the “October 2009 Securities”.

The Company and the October 2009 Investors agreed to place the proceeds from the October 2009 Financing in escrow. On a monthly basis, the Company and the nominee for the October 2009 Investors will send a joint statement, subject to settlement with existing creditors, to the escrow agent for the release of funds.

In connection with the sale of the October 2009 Securities by the Company, the Company and Bristol entered a Standstill and Forbearance Agreement, pursuant to which Bristol agreed to refrain and forbear from exercising certain rights and remedies with respect to (i) certain convertible debentures (the “October 2006 Debentures”), issued pursuant to that certain Securities Purchase Agreement, dated October 25, 2006 and (ii) demand notes (the “Bridge Notes”) issued by the Company on October 8, 2008, March 19, 2009, April 7, 2009, April 28, 2009, May 21, 2009 and June 25, 2009. In connection with the sale of the October 2009 Securities by the Company, the Company and Bristol have also entered into a waiver agreement (the “Waiver Agreement”) pursuant to which Bristol waived certain rights with respect to the October 2006 Debentures and Bridge Notes.

The conversion price and the exercise price will be subject to full ratchet anti-dilution adjustment in the event that the Company issues, after the closing date, common stock or common stock equivalents at a price per share less than the conversion price associated with the Debentures or the exercise price associated with the Warrants and to other normal and customary anti-dilution adjustment upon certain other events.

From the date hereof until such time the Debentures are no longer outstanding, if the Company effects a subsequent financing, the October 2009 Investors may elect, in their sole discretion, to exchange all or some of the October 2009 Debentures (but not the Warrants) for any securities or units issued in a subsequent financing on a \$1.00 for \$1.00 basis or to have any particular provisions of the subsequent financing legal documents apply to the documents utilized for the October 2009 Financing.

If at any time after the closing date, the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others, then it shall include the shares of common stock underlying the Securities on such registration statement. The Company has also agreed to use its best efforts to take the most efficient actions (either by Proxy or Information Statement, if qualified) to ensure that the Company at all times after 30 days from closing will have reserved a sufficient number of authorized shares such that all of the shares of common stock issuable upon conversion or exercise of the Debentures and the Warrants can receive valid, authorized shares of common stock upon any conversion or exercise.

The October 2009 Investors have contractually agreed to restrict their ability to convert the Debentures and exercise the Warrants and receive shares of our common stock such that the number of shares of the Company common stock held by an October 2009 Investor and its affiliates after such conversion or exercise does not exceed 4.9% of the Company’s then issued and outstanding shares of common stock.

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During the third quarter of 2010, Investors converted \$1,190,000 of the principal amount for 23,800,000 shares of the Company's common stock.

Demand Notes

On October 25, 2008, the Company entered into a demand note payable in the principal sum of \$25,000. Interest shall accrue on the outstanding principal balance of this note from and after the date hereof at the rate of 10% per annum. Interest shall be calculated on the basis of a 360-day year, and shall be charged on the principal outstanding from time to time for the actual number of days elapsed. The Borrower shall pay the holder all accrued interest on the Maturity Date. At any time while this Note is outstanding, the holder may convert any portion of this Note that is outstanding, whether such portion represents principal or interest, into shares of common stock of the Company at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that the Holder notifies the Company that it elects to effectuate a conversion. The Company must deliver the Conversion Shares to the holder no later than the third (3rd) business day after the Conversion Date. Borrower shall pay the entire outstanding principal balance under this Note, together with all accrued and unpaid interest thereon, at anytime, in the Borrower's sole discretion, on or before the maturity date without penalty.

Simultaneously with the issuance of this note, the Company issued to the holder a warrant to purchase such number of shares of common stock of the Company equal to the number of conversion shares issuable upon full conversion of the principal amount of this note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of this note.

On March 19, 2009, the Company entered into a convertible demand promissory note with Bristol Investment Fund, Ltd., pursuant to which Bristol purchased an aggregate principal amount of \$12,500 of convertible demand promissory notes for an aggregate purchase price of \$10,000. The Bristol Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Bristol notifies the Company that it elects to effectuate a conversion.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a warrant to purchase such number of shares of common stock of the Company equal to the number of Conversion Shares issuable upon full conversion of the principal amount of the Bristol Note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of the Bristol Note (the "Exercise Price"). Bristol may exercise the Warrant on a cashless basis if the shares of common stock underlying the Warrant are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrant on a cashless basis, we will not receive any proceeds.

On April 7, 2009, the Company entered into a convertible demand promissory note with Bristol Investment Fund, Ltd, pursuant to which Bristol purchased an aggregate principal amount of \$156,875 of convertible demand promissory notes for an aggregate purchase price of \$125,000. The Bristol Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Bristol notifies the Company that it elects to effectuate a conversion.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a warrant to purchase such number of shares of common stock of the Company equal to the number of Conversion Shares issuable upon full conversion of the principal amount of the Bristol Note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of the Bristol Note (the "Exercise Price"). Bristol may exercise the Warrant on a cashless basis if the shares of common stock underlying the Warrant are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrant on a cashless basis, we will not receive any proceeds.

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On April 28, 2009, the Company entered into a convertible demand promissory note with Bristol Investment Fund, Ltd. Pursuant to which Bristol purchased an aggregate principal amount of \$28,865 of convertible demand promissory notes for an aggregate purchase price of \$23,000. The Bristol Note will be convertible at the option of the holder at any time into shares of common, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Bristol notifies the Company that it elects to effectuate a conversion.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a warrant to purchase such number of shares of common stock of the Company equal to the number of Conversion Shares issuable upon full conversion of the principal amount of the Bristol Note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of the Bristol Note (the "Exercise Price"). Bristol may exercise the Warrant on a cashless basis if the shares of common stock underlying the Warrant are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrant on a cashless basis, we will not receive any proceeds.

On May 15, 2009, the Company entered into a convertible demand promissory note with Bristol Capital, LLC for certain consulting services totaling \$100,000. The note does not provide for any interest and is due upon demand by the holder. The Bristol Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Bristol notifies the Company that it elects to effectuate a conversion.

On May 21, 2009, the Company entered into a convertible demand promissory note with Bristol Investment Fund, Ltd., pursuant to which Bristol purchased an aggregate principal amount of \$31,375 of convertible demand promissory notes for an aggregate purchase price of \$25,000. The Bristol Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Bristol notifies the Company that it elects to effectuate a conversion.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a warrant to purchase such number of shares of common stock of the Company equal to the number of Conversion Shares issuable upon full conversion of the principal amount of the Bristol Note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of the Bristol Note (the "Exercise Price"). Bristol may exercise the Warrant on a cashless basis if the shares of common stock underlying the Warrant are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrant on a cashless basis, we will not receive any proceeds.

On June 22, 2009, the Company entered into a convertible demand promissory note with Theorem Group ("Theorem") pursuant to which Theorem purchased an aggregate principal amount of \$31,375 of convertible demand promissory notes for an aggregate purchase price of \$25,000. The Theorem Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Theorem notifies the Company that it elects to effectuate a conversion.

Simultaneously with the issuance of the Theorem Note, the Company issued Theorem a warrant to purchase such number of shares of common stock of the Company equal to the number of Conversion Shares issuable upon full conversion of the principal amount of the Theorem Note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of the Theorem Note (the "Exercise Price"). Theorem may exercise the Warrant on a cashless basis if the shares of common stock underlying the Warrant are not then registered pursuant to an effective registration statement. In the event Theorem exercises the Warrant on a cashless basis, we will not receive any proceeds.

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On December 1, 2009, Theorem sold the note to NetCapital. In December 2009, NetCapital converted \$24,000 of the principal for 2,400,000 shares of the Company's common stock.

In January 2010, NetCapital converted the remainder \$7,375 of principal amount for an additional 737,500 shares of the Company's common stock.

On June 25, 2009, the Company entered into a convertible demand promissory note with Bristol Investment Fund, Ltd., pursuant to which Bristol purchased an aggregate principal amount of \$31,375 of convertible demand promissory notes for an aggregate purchase price of \$25,000. The Bristol Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the twenty (20) trading days preceding the date that Bristol notifies the Company that it elects to effectuate a conversion.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a warrant to purchase such number of shares of common stock of the Company equal to the number of Conversion Shares issuable upon full conversion of the principal amount of the Bristol Note at a price equal to the lesser of (i) \$0.01 and (ii) 60% of the average of the three (3) lowest trading prices occurring at any time during the 20 trading days preceding the issue date of the Bristol Note (the "Exercise Price"). Bristol may exercise the Warrant on a cashless basis if the shares of common stock underlying the Warrant are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrant on a cashless basis, we will not receive any proceeds.

During the second quarter of 2010, Bristol converted \$50,000 of the principal amounts for 5,000,000 shares of the Company's common stock.

Note 3 – Patents

	September 30, 2010 (Unaudited)	December 31, 2009
Capitalized patent costs	\$ 655,000	\$ 655,000
Accumulated amortization	(592,000)	(571,000)
	<u>\$ 63,000</u>	<u>\$ 84,000</u>

Periodically, the Company reviews its patent portfolio and has determined that certain patent applications no longer possessed commercial viability or were abandoned since they were inconsistent with the Company's business development strategy. At December 31, 2009, the Company determined patents with an original cost of \$477,000 were either expired or unused, and the remaining net book value of \$169,000 was reported as a component of general and administrative expenses.

Note 4 -- Stockholders' Equity

Common Stock

During the nine months ended September 30, 2010, the Company issued a total of 70,147,995 shares of common stock for retirement of debt valued at \$2,177,000. No shares of the Company's common stock were issued during the nine months ended September 30, 2009.

During the nine months ended September 30, 2010, the Company issued a total of 3,763,278 shares of common stock for the payment of services aggregating \$507,000. No shares of the Company's common stock were issued for services during the nine months ended September 30, 2009.

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Preferred Stock

The 96,230 shares of Series C preferred stock are convertible into 27,800 shares of the Company's common stock at the option of the holders at any time. The conversion ratio is based on the average closing bid price of the common stock for the fifteen consecutive trading days ending on the date immediately preceding the date notice of conversion is given, but cannot be less than .20 or more than .2889 common shares for each Series C preferred share. The conversion ratio may be adjusted under certain circumstances such as stock splits or stock dividends. The Company has the right to automatically convert the Series C preferred stock into common stock if the Company lists its shares of common stock on the Nasdaq National Market and the average closing bid price of the Company's common stock on the Nasdaq National Market for 15 consecutive trading days exceeds \$13.00. Each share of Series C preferred stock is entitled to the number of votes equal to .26 divided by the average closing bid price of the Company's common stock during the fifteen consecutive trading days immediately prior to the date such shares of Series C preferred stock were purchased. In the event of liquidation, the holders of the Series C preferred stock shall participate on an equal basis with the holders of the common stock (as if the Series C preferred stock had converted into common stock) in any distribution of any of the assets or surplus funds of the Company. The holders of Series C preferred stock are entitled to noncumulative dividends if and when declared by the Company's board of directors. No dividends to Series C preferred stockholders were issued or unpaid through September 30, 2010.

On December 4, 2008, the Company entered into and closed an Agreement (the "Bristol Agreement") with Bristol Investment Fund, Ltd., pursuant to which Bristol agreed to cancel the debt payable by the Company to Bristol in the amount of approximately \$20,000 in consideration of the Company issuing Bristol 25,000 shares of Series G Convertible Preferred Stock, which such shares carry a stated value equal to \$1.00 per share (the "Series G Stock").

The Series G Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price equal to the lesser of \$.01 or 60% of the average of the three lowest trading prices occurring at any time during the 20 trading days preceding the conversion. The Series G Stock, as amended, shall have voting rights on an as converted basis multiplied by 100.

In the event of any liquidation or winding up of the Company, the holders of Series G Stock will be entitled to receive, in preference to holders of common stock, an amount equal to the stated value plus interest of 15% per year.

The Series G Stock restricts the ability of the holder to convert the Series G Stock and receive shares of the Company's common stock such that the number of shares of the Company common stock held by Bristol and its affiliates after such conversion does not exceed 4.9% of the Company's then issued and outstanding shares of common stock.

The Series G Stock was previously referred to in a periodic report on Form 8-K filed by the Company on December 10, 2008 in error as the "Series E Stock". Further, the Series G Stock initially incorrectly provided that it voted on an as converted basis multiplied by 10. This incorrectly reflected the intent of the Company and the holder.

On October 13, 2009 the Company was informed by Theorem Group, LLC that it had purchased all of the outstanding Series G Stock and Theorem gave notice to the Company that it intended to exercise its ability to vote on all shareholder matters utilizing the super voting privileges provided by the Series G Stock.

Effective February 10, 2010, the Company issued 25,000 shares of its new Series H Convertible Preferred Stock (the "Series H Preferred") to Theorem Group, LLC, a California limited liability company (the "Stockholder"), in exchange for the 25,000 shares of Series G Stock then owned by the Stockholder. The foregoing exchange was effected pursuant to that certain Exchange Agreement, dated February 10, 2010, between the Company and the Stockholder (the "Exchange Agreement").

The Certificate of Designation of the Series H Preferred is based on, and substantially similar to the form and substance of the Certificate of Designation of the Series G Preferred. Some of the corrections, changes and differences between the Certificate of Designation of the Series G Preferred and the Certificate of Designation of the Series H Preferred include the following:

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- As previously disclosed, the holder of the Series H Preferred is entitled to vote with the common stock, and is entitled to a number of votes equal to (i) the number of shares of common stock it can convert into (without any restrictions or limitations on such conversion), (ii) multiplied by 100.
- The holder of the Series H Preferred cannot convert such preferred stock into shares of common stock if the holder and its affiliates after such conversion would own more than 9.9% of the Company's then issued and outstanding shares of common stock.
- The Series G Preferred contained a limitation that the holder of the Series G Preferred could not convert such preferred shares into more than 19.999% of the issued and outstanding shares of common stock without the approval of the stockholders if the rules of the principal market on which the common stock is traded would prohibit such a conversion. Since the rules of the Company's principal market did not require such a limitation, that provision has been deleted.

Note 5 -- Stock Options and Warrants

Stock Options

Following is a summary of the stock option activity:

	Options Outstanding	Weighted Average Exercise Price
Outstanding as of December 31, 2009	4,355,032	\$ 0.33
Granted	11,534,761	0.17
Forfeited	1,335,142	0.32
Exercised	100,000	0.23
Outstanding as of September 30, 2010	<u>14,454,651</u>	<u>\$ 0.15</u>

Warrants

Following is a summary of the warrant activity:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding as of December 31, 2009	93,256,118	\$ 0.17
Granted	—	—
Forfeited	12,877,366	0.83
Exercised	3,637,500	0.01
Outstanding as of September 30, 2010	<u>76,741,252</u>	<u>\$ 0.07</u>

Note 6 - Employment and Advisory Agreements Obligations

Effective March 1, 2010, the Company entered into an employment agreement with Bernard Landes, pursuant to which Mr. Landes is employed as the Company's President through February 28, 2011, subject to automatic renewals. Under his employment agreement, Mr. Landes is entitled to a base annual salary of \$100,000. Mr. Landes is eligible to receive a bonus as determined by the Company in its sole discretion. Additionally, Mr. Landes was granted an incentive stock option to purchase up to 2,220,453 shares of common stock. The options vest and become exercisable in four equal quarterly installments on the 90th, 180th, 270th and 365th day after March 1, 2010, provided that Mr. Landes remains in the Company's continuous employ through such quarterly vesting dates.

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Effective March 1, 2010, the Company entered into an employment agreement with Michael Handelman, pursuant to which Mr. Handelman is employed as the Company's Chief Financial Officer through February 28, 2011, subject to automatic renewals. Under his employment agreement, Mr. Handelman is entitled to a base annual salary of \$54,000. Mr. Handelman is eligible to receive a bonus as determined by the Company in its sole discretion. Additionally, Mr. Handelman was granted an incentive stock option to purchase up to 250,000 shares of common stock. The options vest and become exercisable in four equal quarterly installments on the 90th, 180th, 270th and 365th day after March 1, 2010, provided that Mr. Handelman remains in the Company's continuous employ through such quarterly vesting dates.

On March 29, 2010, the Company entered into an Advisory Agreement with Gary Post, the Company's then Secretary and a member of our Board of Directors. The Advisory Agreement relates to his services as our Secretary, a member of our Board of Directors, and member of at least one of the Committees of the Board. The agreement has an initial term of one year and renews automatically for additional one-year periods, however, either party may terminate certain aspects of the agreement upon 10 days' notice. Mr. Post will receive an advisory fee for \$5,250 per month. Upon entering into the agreement, the Company granted Mr. Post options to purchase 1,110,227 shares of our common stock. The options vest and become exercisable in eight equal quarterly installments (which vesting period commenced on August 17, 2009) as long as the Advisory Agreement is in effect. Mr. Post will receive options to purchase an additional 1,110,227 shares of common stock on March 29, 2011 provided that Mr. Post remains engaged by us as of that date. On July 14, 2010, Mr. Post resigned from his positions as Secretary and director of the Company effective immediately.

On March 29, 2010, the Company entered into an employment agreement Anthony Cataldo, the Company's Chairman and Chief Executive Officer. The agreement is for a three-year period ending on March 28, 2013, subject to automatic renewals. Under his employment agreement, Mr. Cataldo is entitled to a base annual salary of \$180,000. Mr. Cataldo is eligible to receive a bonus as determined by the Company in its sole discretion. Additionally, Mr. Cataldo was granted an incentive stock option to purchase up to 6,704,081 shares of Common Stock, which options vest and become exercisable in equal quarterly installments during the three-year term, provided that Mr. Cataldo remains in continuously employ through such quarterly vesting dates.

Note 7 – Subsequent Events

On November 8, 2010, the Company entered into a financing arrangement with Gemini Pharmaceuticals, Inc., a product development and manufacturing partner of the Company, pursuant to which Gemini Pharmaceuticals made a \$250,000 strategic equity investment in the Company and agreed to make a \$750,000 purchase order line of credit facility available to the Company.

The aggregate amount of outstanding Advances available to the Company under the Line of Credit may not exceed \$750,000.00 at any time. The credit amounts available to the Company will be tiered, starting at \$250,000 and will ramp up to \$500,000 and then \$750,000 upon achievement of determined milestones. The Advances requested under the Line of Credit may only be used for purchases of products and inventory from Gemini Pharmaceuticals.

The outstanding principal of all Advances under the Line of Credit will bear interest at the rate of interest of prime plus 2 percent per annum.

In partial consideration of the commitment made by Gemini Pharmaceuticals under the Line of Credit, the Company has issued to Gemini, non-callable 5-year warrants to purchase 300,000 additional shares of Common Stock at a share price of \$0.12. The warrants contain a cashless exercise provision. The warrants vest as follows: 50% immediately, 25% when the credit line is increased to \$500,000, and the remaining 25% when the credit line is increased to \$750,000.

Gemini Pharmaceuticals also purchased 1,666,667 shares of the Company's Series I Preferred Stock, \$.001 par value, at a price of \$0.15 per share (\$250,000).

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(UNAUDITED)

As the holder of the Series I Preferred Stock, Gemini Pharmaceuticals will be entitled to receive, out of funds legally available, dividends in cash at the annual rate of 8.0% of the Preference Amount (\$0.15), when, as, and if declared by the Board. No dividends or other distributions shall be made with respect to any shares of junior stock until dividends in the same amount per share on the Series I Preferred Stock shall have been declared and paid or set apart during that fiscal year. Dividends on the Series I Preferred Stock shall not be cumulative and no right shall accrue to the Series I Preferred Stock by reason of the fact that the Company may fail to declare or pay dividends on the Series I Preferred Stock in the amount of the Dividend Rate per share or in any amount in any previous fiscal year of the Company, whether or not the earnings of the Company in that previous fiscal year were sufficient to pay such dividends in whole or in part.

Each share of Series I Preferred Stock shall entitle the holder thereof to such number of votes per share as shall equal the number of shares of Common Stock (rounded to the nearest whole number) into which such share of Series I Preferred Stock is then convertible.

Upon any liquidation of the Company, subject to the rights of any series of Preferred Stock that may from time to time come into existence, before any distribution or payment shall be made to the holders of any Junior Stock, the holders of the shares of Series I Preferred Stock then outstanding shall be entitled to receive and be paid out of the assets of the Company legally available for distribution to its stockholders liquidating distributions in cash or property at its fair market value as determined by the Board in the amount of \$0.15 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares).

Shares of Series I Preferred Stock may, at the option of the holder thereof, be converted at any time or from time to time into fully paid and non-assessable shares of Common Stock. The number of shares of Common Stock which a holder of shares of Series I Preferred Stock shall be entitled to receive upon conversion of such shares shall be the product obtained by multiplying the Conversion Rate by the number of shares of Series I Preferred Stock being converted. Initially, the Series I Preferred Stock is convertible into 1,666,667 shares of common stock.

In the event that the per-share Market Price of the Common Stock over a period of 20 consecutive trading days is equal to at least 130% of the initial conversion price (130% of \$0.15), all outstanding shares of Series I Preferred Stock shall be converted automatically into the number of shares of Common Stock into which such shares of Series I Preferred Stock are then convertible without any further action by the holders of such shares and whether or not the certificates representing such shares of Series I Preferred Stock are surrendered to the Company or its transfer agent.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

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

All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results could differ materially from those included in such forward-looking statements. For a more detailed explanation of such risks, please see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009. Such risks, as well as such other risks and uncertainties, are detailed in our SEC reports and filings including a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the consolidated financial statements and the notes included in this report on Form 10-Q.

Throughout this Quarterly Report on Form 10-Q, the terms "OXIS," "we," "us," "our," "the company" and "our company" refer to OXIS International, Inc., a Delaware corporation formerly known as DDI Pharmaceuticals, Inc. and Diagnostic Data, Inc., together with our subsidiaries.

Overview

Until the end of 2008, we were engaged in the business of developing and selling clinical and research assay products and out-licensing certain therapeutic compounds addressing conditions and diseases associated with oxidative stress. During 2008, we lost our ownership interest in BioCheck, Inc., our majority owned subsidiary that was engaged in the production of enzyme immunoassay diagnostic kits for clinical laboratories, and in December 2008 we sold substantially all of the assets of our research assay product line to Precipio Biosciences, Inc. Commencing in 2009, our focus shifted from the clinical and research assay business to developing and marketing nutraceutical products in the field of oxidative stress reduction, with a focus on products that include L-Ergothioneine ("ERGO") as a component. As a result, since the beginning of 2009 our focus has been on continuing the re-direction of our business plan, on obtaining financing to fund our revised business plan, building a new management team to further develop and implement our new business strategy. We conducted limited operations, and had limited revenues in 2009 and no revenues to date in 2010. We currently continue to hold the rights to four therapeutic classes of compounds in the area of oxidative stress and inflammation. One such compound is ERGO, a potent antioxidant we believe is appropriate by itself or as a component of other products for sale over-the-counter as a dietary supplement.

Results of Operations

Product Revenues

The following table presents the changes in revenues from 2009 to 2010:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Decrease from 2009	2010	2009	Decrease from 2009
Product revenues	\$ 0	\$ 35,000	\$ (35,000)	\$ 0	\$ 35,000	\$ (35,000)

As discussed above, this Company disposed of its two active lines of business during 2008. In 2009, we commenced restructuring this company, but did not conduct any active operations. As a result, we generated limited revenues in the first nine-month period of 2009 and no revenues during the comparable period in 2010.

Having developed a new business plan, during the fiscal quarter ended September 30, 2010 we continued to position ourselves to implement the new business plan of developing and marketing nutraceutical products in the field of oxidative stress reduction, with a focus on products that include L-Ergothioneine (“ERGO”) as a component. During the first fiscal quarter of 2010, we hired the officers necessary to support our new operations, restructured our Board of Directors, restructured and recapitalized portions of our balance sheet, and initiated research and development activities related to a dietary supplement containing ERGO that we intend to commercially release later in 2010. However, during the nine months ended September 30, 2010 we did not sell any of our proposed products, generate any revenues, or incur any revenue-related costs. This Company currently anticipates that it will commercially release its first products based on its ERGO compound by the end of 2010. Accordingly, the Company anticipates that it will commence generating revenues from its new business plan in the near future.

Cost of Product Revenues

Because we have not generated any revenues in 2010, we did not incur any cost of revenues during that period. The revenues, cost of products sold and gross profit line item disclosures for the 2009 periods are immaterial and are not indicative of this Company’s actual past or current operations.

Research and Development Expenses

The following table presents the changes in research and development expenses from 2009 to 2010:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Increase from 2009	2010	2009	Increase from 2009
Research and development expenses:	\$ 66,000	—	\$ 66,000	\$ 160,000	—	\$ 160,000

We incurred research and development expenses in 2010 in connection with the development of ERGO based potential over-the-counter products and dietary supplements. Because our revised business plan provides for the development and future commercial release of such ERGO based products, we anticipate that our research and development expenses will increase in subsequent fiscal quarters as we increase our product research and development activities.

Selling, general and administrative expenses

The following table presents the changes in selling, general and administrative expenses from 2009 to 2010:

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2010</u>	<u>2009</u>	<u>Increase from 2009</u>	<u>2010</u>	<u>2009</u>	<u>Increase from 2009</u>
Selling, general and administrative expenses	\$ 588,000	\$ 84,000	\$ 504,000	\$ 1,811,000	\$ 453,000	\$ 1,358,000

The increase in selling, general and administrative expenses is primarily attributable to an increase in non-cash compensation, an increase in overhead expenses because of the additional employees and officers that were hired during the first quarter of 2010, an increase in independent contractors, and an increase in shareholder relations expenses. During the nine months ended September 30, 2010, we issued shares of our common stock in payment of \$507,000 of employee and consultant compensation expenses. No such expenses were incurred during the same period in 2009. In March 2010, we hired a new President and a new Chief Financial Officer. These additional compensation obligations have increased our cash compensation payment obligations.

Interest Income

Interest income was \$3,000 and \$11,000 for the three months and nine months ended September 30, 2009 due to the interest we received on a note receivable related to the sale of our assay kit division. We did not earn any interest on that note in the comparable 2010 periods because the foregoing note has been assigned by the Company to a third party.

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 as well as in October 2009. When we entered into the convertible debentures with the warrants on October 25, 2006, the beneficial conversion feature was valued at \$690,000 and the warrants were valued at \$2,334,000. When we entered into the convertible debentures with the warrants on October 9, 2009, the beneficial conversion feature and the warrants were valued at \$2,000,000. We recognized an increase in expense of \$(44,000) and \$48,000 compared \$(59,000) and \$94,000 for the three months and nine months ended September 30, 2010 and 2009, respectively.

Interest Expense

Interest expense was \$23,000 and \$136,000 compared to \$422,000 and \$384,000 for the three months and nine months ended September 30, 2010 and 2009, respectively. The increase is primarily due to \$127,000 net non-cash 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. The balance represents accrued interest on our outstanding convertible debentures.

Net Loss

We had a net loss of \$633,000 and a net loss of \$2,333,000 in the three months and nine months ended September 30, 2010, respectively, compared to a net loss of \$268,000 and \$909,000 for the three months and nine months ended September 30, 2009, respectively. The net loss in the first nine months of 2010 primarily consisted of selling, general and administrative expenses of \$1,811,000 and interest expense of \$422,000 associated with notes payable. Likewise the net loss in the first nine months of 2009 primarily consisted of selling, general and administrative expenses of \$453,000 and interest expense associated with notes payable of \$384,000.

Liquidity and Capital Resources

On a consolidated basis, we had cash and cash equivalents of \$181,000 at September 30, 2010. However, we also had \$5,190,000 of current liabilities (of which \$4,109,000 represented current cash obligations and \$1,081,000 represented non-cash warrant liabilities). As a result, on a cash basis, as of September 30, 2010, we had a working capital deficit of \$3,850,000. In addition, we incurred a net loss of \$2,333,000 for the nine months ended September 30, 2010 and have an accumulated deficit of \$79,433,000 through September 30, 2010.

Because we have now commenced actively pursuing our new business plan, we anticipate that our future operating expenses, including cash salaries for officers and employees, research and development expenses, and product development and marketing expenses have significantly increased during 2010. As a result, our cash holdings of \$181,000 at September 30, 2010 will not be sufficient to sustain our anticipated level of operations through the remainder of 2010. Although our goal is to commence generating operating revenues when our proposed products are released later in 2010, it is uncertain how much revenue we will generate and if those revenues will be sufficient to fund our working capital needs. Accordingly, we anticipate that we will have to obtain additional funding to support our increased expenses until such time, if ever, as we generate sufficient cash from our product sales to support our operating and capital expenses.

In order to fund our future working capital needs and the cost of manufacturing our future products, on November 8, 2010 we entered into an agreement with Gemini Pharmaceuticals, Inc., pursuant to which Gemini Pharmaceuticals granted us up to \$750,000 of credit to fund our future purchases of Ergoth based products from them. Gemini Pharmaceuticals, Inc. is our primary product development and manufacturing partner. The amount of credit available to us will be tiered. Initially, \$250,000 of credit is available to us. As we meet certain milestones, the amount of credit will increase to \$750,000. The amounts borrowed under this facility will bear interests at a rate of prime plus 2% per annum. In addition, concurrently with the line of credit transaction, Gemini Pharmaceuticals also purchased 1,666,667 shares of our new Series I Preferred Stock at a price of \$0.15 per share (an aggregate of \$250,000).

We currently do not have any bank financing or other external sources of liquidity. We anticipate that we will need to obtain additional capital in order to expand our operations, market our products and fund anticipated increases in our administrative expenses. To obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. There is no assurance that we will be successful in obtaining additional funding. In the event that we are unable to raise the additional funds needed to support our increased operations, we will have to curtail or abandon our new operating activities.

We have not yet commercially released any products based on our ERGO compound. Although we anticipate that we will commercially release our first product later in 2010, the product release will initially be limited to a target consumer audience. Accordingly, although we anticipate that we will generate revenues from the sale of this new product (most of which will be realized in 2011), we still need to raise additional capital in order to continue operations until, if ever, we are able to achieve positive operating cash flow. Our goal is to obtain additional funding through the sale of debt or equity securities, or possibly through joint ventures or strategic relationships with unaffiliated third parties, or other financing approaches. No assurance can be given that we will be able to obtain sufficient capital to meet our requirements. However, the trading price of our common stock and the downturn in the equity and debt markets are expected to make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek additional financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail or cease our operations.

Despite a net loss of \$2,333,000, cash used in operating activities was only \$1,158,000 during the nine months ended September 30, 2010 primarily because \$569,000 of compensation expenses were satisfied by the issuance of securities, and because of \$369,000 of non-cash amortization of debt discounts.

Our lack of revenues, our current liabilities of over \$5 million, and our current rate of cash usage raise substantial doubt about our ability to continue as a going concern, absent any new sources of significant cash flows or outside financing. Although we anticipate that we will commence generating revenues after we commercially release our first products late in 2010, we do not currently anticipate that those funds will be sufficient in the short term to fund our working deficit or to repay our current liabilities. Our financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that we cannot continue in existence.

Recent Accounting Pronouncements

In June 2009, the FASB issued guidance under ASC Topic 105 Generally Accepted Accounting Principles as it relates to the FASB's accounting standards codification. This standard replaces previously established guidance, and establishes only two levels of U.S. generally accepted accounting principles ("GAAP"), authoritative and non-authoritative. The FASB Accounting Standards Codification (the "Codification") will become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission ("SEC"), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Company began to use the new guidelines and numbering system prescribed by the Codification when referring to GAAP in the third quarter of 2009. As the Codification was not intended to change or alter existing GAAP, it will not have any impact on the Company's consolidated financial statements.

In September 2009, the FASB also ratified authoritative accounting guidance requiring the sales of all tangible products containing both software and non-software components that function together to deliver the product's essential functionality to be excluded from the scope of the software revenue guidance. The Company adopted the guidance on a prospective basis during the three months ended September 27, 2009 effective for all periods in 2009. Prior to the adoption of this guidance, the Company assessed all software items included in the Company's product offerings to be incidental to the product itself and, therefore, excluded all sales from the scope of the related software revenue guidance. As a result, the adoption of this guidance had no impact on the Company's consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-13, "Revenue Recognition (Topic 605) – Multiple Deliverable Revenue Arrangements." ASU No. 2009-13 eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and expands the disclosures related to multiple deliverable revenue arrangements. ASU No. 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. The adoption of ASU No. 2009-13 is not expected to have a material impact on the Company's results of operations or financial position.

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.

Revenue Recognition

Product Revenue

We manufacture, or have manufactured on a contract basis, fine chemicals and nutraceutical products, which are our primary products sold to customers. Revenue from the sale of our products, including shipping fees, will be 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 collectability is reasonably assured. Revenue from sales to distributors of our products will be 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.

Long-Lived Assets

Our long-lived assets include property, plant and equipment, capitalized costs of filing patent applications and goodwill and other 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

This company qualifies as a smaller reporting company, as defined in 17 C.F.R. §229.10(f) (1) and is not required to provide information by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report (the "Evaluation Date"). Based upon the evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective. Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls include controls and procedures designed to reasonably ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes from the disclosure provided in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 1A. Risk Factors

There have been no material changes from the disclosure provided in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009.

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

From July 1, 2010 through September 30, 2010, we issued 25,767,387 shares of common stock that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). The foregoing issuances consisted of the following:

- A. 1,569,230 shares were issued to 2 employees and consultants of the Company as compensation for services rendered (having an aggregate value of \$159,000);
- B. 2,184,433 shares of common stock issued were to a vendor upon conversion of debt (having an aggregate value of \$218,443; and
- C. 22,013,724 shares issued to 4 holders of this Company's convertible debentures and demand notes payable upon the conversion of \$438,000 of the outstanding debentures and demand notes.

All of the foregoing shares were issued in reliance upon an exemption from the registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

In October, 2006, we issued \$1,694,250 of Secured Convertible Debentures (the "Secured Convertible Debentures") to a group of investors. To secure our obligations under the Secured Convertible Debentures, we granted the investors a security interest in substantially all of our assets, including a pledge of our ownership interests in our wholly-owned subsidiaries, OXIS Therapeutics, OXIS Isle of Man, and our majority-owned subsidiary, BioCheck, Inc. Bristol Investment Fund, Ltd. ("Bristol") acted as the agent for itself and three other holders of the Secured Convertible Debentures. As a result of this company's default under the Secured Convertible Debentures, Bristol acquired our interest in the shares of BioCheck in June, 2008. As of September 30, 2010, \$1,564,000 remains outstanding under the Secured Convertible Debentures. We have not made the required monthly redemption payments required under the Secured Convertible Debentures and, accordingly, currently are in default under the debentures. 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 debenture holder had 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. The holders of the debenture currently have the right to sell substantially all of our assets pursuant to their security interest to satisfy any such unpaid balance.

In October 2009, the Company and Bristol entered a Standstill and Forbearance Agreement, pursuant to which Bristol agreed to refrain and forbear from exercising certain rights and remedies with respect to (i) the Secured Convertible Debentures that we issued in October 2006 and (ii) demand notes issued (the "Bridge Notes") by the Company on October 8, 2008, March 19, 2009, April 7, 2009, April 28, 2009, May 21, 2009 and June 25, 2009. In October 2009, the Company and Bristol also entered into a waiver agreement (the "Waiver Agreement") pursuant to which Bristol waived certain rights with respect to the Secured Convertible Debentures and Bridge Notes.

Item 4. [Reserved]**Item 5. Other Information.**

On November 8, 2010, the Company sold 1,666,667 shares of its Series I Preferred Stock, \$.001 par value, to Gemini Pharmaceuticals, at a price of \$0.15 per share (for a total of \$250,000). In addition, the Company also obtained a credit facility of up to \$750,000 from Gemini Pharmaceuticals, Inc. In consideration for this credit facility, the Company issued to Gemini Pharmaceuticals warrants to purchase 300,000 shares of the Company's Common Stock at a share price of \$0.12. The warrants have a five year term, contain a cashless exercise provision, and vest as follows: 50% of the underlying shares vested immediately upon issuance, 25% of the shares will vest when the credit line is increased to \$500,000, and the remaining 25% shares will vest when the credit line is increased to \$750,000.

As the holder of the Series I Preferred Stock, Gemini Pharmaceuticals will be entitled to receive, out of funds legally available, dividends in cash at the annual rate of 8.0% of the Preference Amount (\$0.15), when, as, and if declared by the Board. No dividends or other distributions may be made with respect to any shares of junior stock until dividends in the same amount per share on the Series I Preferred Stock shall have been declared and paid or set apart during that fiscal year.

Each share of Series I Preferred Stock shall entitle the holder thereof to such number of votes per share as shall equal the number of shares of Common Stock (rounded to the nearest whole number) into which such share of Series I Preferred Stock is then convertible.

Upon any liquidation of the Company, subject to the rights of any series of Preferred Stock that may from time to time come into existence, before any distribution or payment shall be made to the holders of any junior stock, the holders of the shares of Series I Preferred Stock then outstanding shall be entitled to receive and be paid out of the assets of the Company legally available for distribution to its stockholders liquidating distributions in cash or property at its fair market value as determined by the Board in the amount of \$0.15 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares).

Shares of Series I Preferred Stock may, at the option of the holder thereof, be converted at any time or from time to time into fully paid and non-assessable shares of Common Stock. The number of shares of Common Stock which a holder of shares of Series I Preferred Stock shall be entitled to receive upon conversion of such shares shall be the product obtained by multiplying the Conversion Rate by the number of shares of Series I Preferred Stock being converted. Initially, the Series I Preferred Stock is convertible into 1,666,667 shares of common stock.

The foregoing shares of Series I Preferred Stock were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act of 1933, as amended.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
4.1	Certificate of Designation of Series I Preferred Stock
10.1	Series I Preferred Stock Purchase Agreement, dated as of November 8, 2010, by and among Oxis International, Inc. and Gemini Pharmaceuticals, Inc.

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.

November 12, 2010

By: /s/ Anthony J. Cataldo
Anthony J. Cataldo
Chief Executive Officer (Principal Executive Officer)

November 12, 2010

By: /s/ Michael Handelman
Michael Handelman
Chief Financial Officer (Principal Financial and Accounting Officer)

CERTIFICATION

I, Anthony J. Cataldo, Chief Executive Officer of OXIS International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OXIS International, Inc;
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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-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 my 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 my 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 principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial 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 control over financial reporting.

Dated: November 12, 2010

By: /s/ Anthony J. Cataldo

Anthony J. Cataldo
Chief Executive Officer

CERTIFICATION

I, Michael Handelman, Chief Financial Officer of OXIS International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OXIS International, Inc;
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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-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 my 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 my 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 principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial 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 control over financial reporting.

Dated: November 12, 2010

By: /s/ Michael Handelman

Michael Handelman
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of OXIS International, Inc. (the "Company") for the quarter ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Anthony J. Cataldo, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: November 12, 2010

By: /s/ Anthony J. Cataldo

Anthony J. Cataldo
Chief Executive Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

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.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of OXIS International, Inc. (the "Company") for the quarter ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Handelman, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: November 12, 2010

By: /s/ Michael Handelman

Michael Handelman
Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

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.

**CERTIFICATE OF DESIGNATION OF
PREFERENCES, RIGHTS AND LIMITATIONS OF
SERIES I CONVERTIBLE PREFERRED STOCK OF
OXIS INTERNATIONAL, INC.**

OXIS INTERNATIONAL, INC. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY that, pursuant to authority conferred upon the Board of Directors by the Second Restated Certificate of Incorporation of the Corporation, as amended, and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors, **by resolutions adopted** on November 8, 2010, duly determined that 1,666,667 of the authorized shares of Preferred Stock, \$.01 par value per share, of the Corporation shall be designated "Series I Convertible Preferred Stock," and duly adopted a resolution providing for the voting powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions, of the Series I Convertible Preferred Stock, which resolution is as follows:

"RESOLVED, that the Board of Directors, pursuant to the authority vested in it by the provisions of the Second Restated Certificate of Incorporation of the Corporation, as amended, hereby authorizes the issuance of 1,666,667 shares of Preferred Stock, \$.001 par value, of the Corporation, which shall be designated as "Series I Convertible Preferred Stock" (the "Series I Preferred Stock") and shall have the following designations, powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions:

1. Definitions.

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Corporation.
 - (b) "Common Stock" shall mean the Corporation's common stock, par value \$.001 per share.
 - (c) "Issuance Date" shall mean the date on which the first share of Series I Preferred Stock is issued.
 - (d) "Junior Stock" shall mean, with respect to the Series I Preferred Stock, all other classes and series of equity securities of the Corporation now existing or hereafter created, which are junior, among other things, in right of payment of dividends or on liquidation to the Series I Preferred Stock, including the Series C Preferred Stock and the Series H Preferred Stock.
 - (e) "Liquidation" shall mean any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.
 - (f) "Liquidation Preference" shall have the meaning given to such term in Section 5A.
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(g) “Market Price” of the Common Stock on any day shall be deemed to be the closing price of the Common Stock on such day as officially reported by the principal securities exchange in which the shares of Common Stock are listed or admitted to trading or by the Nasdaq Stock Market, or if the Common Stock is not listed or admitted to trading on any securities exchange, including the Nasdaq Stock Market, the last sale price, or if there is no last sale price, the closing bid price, as furnished by the Financial Industry Regulatory Authority (“FINRA”) (such as through the OTC Bulletin Board) or a similar organization if FINRA is no longer reporting such information. If the Market Price cannot be determined pursuant to the sentence above, the Market Price shall be determined in good faith (using customary valuation methods) by the Board based on the information best available to it.

(h) “Preferred Stock” shall mean the Corporation’s preferred stock, par value \$.001 per share.

(i) “Securities Act” shall mean the Securities Act of 1933, as amended.

(j) “Series C Preferred Stock” shall mean the Corporation’s Series C Preferred Stock, par value \$0.01 per share.

(k) “Series H Preferred Stock” shall mean the Corporation’s Series H Preferred Stock, par value \$0.001 per share.

2. Rank. In respect of rights to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, the Series I Preferred Stock shall rank prior to the Common Stock, the Series H Preferred Stock and the Series C Preferred Stock. The Series I Preferred Stock may rank prior, junior or pari passu with subsequent series of Preferred Stock in the sole discretion of the Board in the designation of such future series.

3. Dividends. Holders of outstanding Series I Preferred Stock are entitled to receive, out of funds legally available, dividends in cash at the annual rate of 8.0% of the Preference Amount (the “Dividend Rate”), when, as, and if declared by the Board. No dividends or other distributions shall be made with respect to any shares of Junior Stock and no shares of Junior Stock shall be purchased during any fiscal year of the Corporation until dividends in the same amount per share on the Series I Preferred Stock shall have been declared and paid or set apart during that fiscal year. Dividends on the Series I Preferred Stock shall not be cumulative and no right shall accrue to the Series I Preferred Stock by reason of the fact that the Corporation may fail to declare or pay dividends on the Series I Preferred Stock in the amount of the Dividend Rate per share or in any amount in any previous fiscal year of the Corporation, whether or not the earnings of the Corporation in that previous fiscal year were sufficient to pay such dividends in whole or in part. After dividends in the total amount of the Dividend Rate per share on the Series I Preferred Stock shall have been declared and paid or set apart in any one fiscal year of the Corporation, if the Board shall elect to declare additional dividends in that fiscal year, out of funds legally available, such additional dividends may be declared on the Junior Stock. Notwithstanding the foregoing, whether or not dividends have been paid on the Series I Preferred Stock, the Corporation shall be permitted to repurchase shares of Common Stock issued to and

held by employees, directors, or consultants on termination of their employment or service to the Corporation.

4. Voting Rights. Each share of Series I Preferred Stock shall entitle the holder thereof to such number of votes per share as shall equal the number of shares of Common Stock (rounded to the nearest whole number) into which such share of Series I Preferred Stock is then convertible as provided in Section 6, and except as required by law, shall further entitle the holder thereof to vote on all matters as to which holders of Common Stock shall be entitled to vote (with the number of votes specified in this Section 4), together with such holders of Common Stock as one class and in the same manner and with the same effect as such holders of Common Stock.

5. Liquidation Preference.

A. Upon any Liquidation, subject to the rights of any series of Preferred Stock that may from time to time come into existence, before any distribution or payment shall be made to the holders of any Junior Stock, the holders of the shares of Series I Preferred Stock then outstanding shall be entitled to receive and be paid out of the assets of the Corporation legally available for distribution to its stockholders liquidating distributions in cash or property at its fair market value as determined by the Board in the amount of \$0.15 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Liquidation Preference").

B. After payment to the holders of the Series I Preferred Stock of the full amount of the liquidating distributions to which they are entitled, the holders of Series I Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Corporation.

C. If, upon Liquidation, the assets of the Corporation legally available therefor are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of Series I Preferred Stock and the full amount of the liquidating distributions payable on all outstanding shares of any other classes or series of capital stock of the Corporation ranking on parity with the Series I Preferred Stock with respect to the distribution of assets upon Liquidation, then the holders of the Series I Preferred Stock and all other such classes or series of capital stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise respectively be entitled.

D. If liquidating distributions shall have been made in full to all holders of Series I Preferred Stock, the remaining assets of the Corporation shall be distributed among the holders of any other classes or series of capital stock of the Corporation ranking junior to the Series A Preferred Stock as to the distribution of assets upon Liquidation according to their respective rights and preferences.

6. Conversion Rights. The holders of shares of Series I Preferred Stock shall have the following conversion rights:

A. At Option of the Holder. Subject to and in compliance with the provisions of this Section 6, any shares of Series I Preferred Stock may, at the option of the holder thereof, be converted at any time or from time to time into fully paid and non-assessable shares of Common Stock. The number of shares of Common Stock which a holder of shares of Series I Preferred Stock shall be entitled to receive upon conversion of such shares shall be the product obtained by multiplying the Conversion Rate (determined as provided in Section 6D hereof) by the number of shares of Series I Preferred Stock being converted.

B. Automatic Conversion.

(i) Mandatory Conversion. In the event that the per-share Market Price of the Common Stock over a period of 20 consecutive trading days is equal to at least 130% of the Conversion Value, all outstanding shares of Series I Preferred Stock shall be converted automatically into the number of shares of Common Stock into which such shares of Series I Preferred Stock are then convertible pursuant to this Section 6 (subject to adjustment as provided in this Section 6) without any further action by the holders of such shares and whether or not the certificates representing such shares of Series I Preferred Stock are surrendered to the Corporation or its transfer agent.

(ii) Procedure Upon Mandatory Conversion. Upon the effectiveness of the conversion of the Series I Preferred Stock specified in Section 6B(i) above (the date and time of such effectiveness being referred to as the "Mandatory Conversion Date"), the holders of shares of Series I Preferred Stock so converted shall surrender the certificates representing such shares at the office of the Corporation or of its transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to each such holder a certificate or certificates for the number of shares of Common Stock into which such shares of Series I Preferred Stock so surrendered were convertible on the Mandatory Conversion Date and cash, as provided in Section 6K, in respect of any fraction of a share of Common Stock issuable upon such conversion. Upon such Mandatory Conversion Date, the rights of the holder as holder of the converted shares of Series I Preferred Stock shall cease and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby. The Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless certificates evidencing such shares of Series I Preferred Stock so converted are either delivered to the Corporation or any such transfer agent or the holder notifies the Corporation or any such transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith.

C. Conversion Rate. The “Conversion Rate” in effect at any time with respect to shares of Series I Preferred Stock shall be the quotient obtained by dividing \$0.15 by the Conversion Value, calculated as provided in Section 6D.

D. Conversion Value. The “Conversion Value” with respect to shares of Series I Preferred Stock shall initially be \$0.15, subject to adjustment in accordance with Sections 6E and 6F hereof.

E. Adjustments to Conversion Value.

(i) Adjustments for Dilutive Issuances of Common Stock. If the Corporation shall at any time issue or sell any shares of its Common Stock at an effective per share offering price less than the Conversion Value as in effect immediately prior to such issuance or sale (the “Lower Price”), then the Conversion Value, upon each such issuance and sale, except as hereinafter provided, shall be reduced to such Lower Price.

(ii) Adjustments for Issuance of Warrants, Options and Rights to Common Stock or Convertible Securities. For the purposes of this Section 6F, the issuance, whether directly or indirectly, of any warrants, options, subscriptions, convertible notes or purchase rights with respect to shares of Common Stock and the issuance, whether directly or indirectly, of any securities convertible into or exercisable or exchangeable for shares of Common Stock, or the issuance of any warrants, options, subscriptions, convertible notes or purchase rights with respect to such convertible or exercisable or exchangeable securities (collectively, “Common Stock Equivalents”) shall be deemed an issuance at such time of Common Stock if the Net Consideration Per Share (as hereinafter determined) which may be received by the Corporation for such Common Stock shall be less than the Conversion Value in effect at the time of such issuance. Any obligation, agreement or undertaking to issue Common Stock Equivalents at any time in the future shall be deemed to be an issuance at the time such obligation, agreement or undertaking is made or arises. No adjustment of the Conversion Value shall be made under this Section 6E upon the issuance of any shares of Common Stock, which are issued pursuant to the exercise, conversion or exchange of Common Stock Equivalents if any adjustment shall previously have been made upon the issuance of any such Common Stock Equivalents as above provided.

The “Net Consideration Per Share” received by the Corporation in respect of the issuance of any Common Stock Equivalents means the amount equal to the total amount of consideration, if any, received by the Corporation (or in the case of convertible notes, the aggregate amount of principal and interest converted) for the issuance of such Common Stock Equivalents plus the minimum amount of consideration, if any, payable to the Corporation upon purchase, exercise, conversion or exchange thereof, divided by the maximum aggregate number of shares of Common Stock that would be issued if all such Common Stock Equivalents were purchased, exercised, exchanged or converted. The Net Consideration Per Share received by the Corporation shall be determined in each instance as of the date of issuance of any Common Stock Equivalents without giving effect to any possible future upward price adjustments or possible future upward rate adjustments which may be applicable with respect to such Common Stock Equivalents.

(iii) Decreases in Conversion Value; Expiration or Cancellation of Warrants, Options or Rights without Exercise. Should the Net Consideration Per Share for any previously issued Common Stock Equivalents be decreased or increased from time to time for which an adjustment was made to the Conversion Value, then, upon the effectiveness of each such change, the Conversion Value shall be adjusted to such Conversion Value as would have been obtained (1) had the adjustments made upon the issuance of such Common Stock Equivalents been made upon the basis of the actual Net Consideration Per Share of such securities, and (2) had any adjustments made to the Conversion Value since the date of issuance of such Common Stock Equivalents been made to the Conversion Value as adjusted pursuant to clause (1) immediately above. Any adjustment of the Conversion Value which relates to the issuance of particular Common Stock Equivalents shall be disregarded if, as, and when all of such Common Stock Equivalents lapse, terminate, expire or are cancelled without being exercised, exchanged or converted, so that the Conversion Value effective immediately upon such lapse, termination, cancellation or expiration shall be equal to the Conversion Value in effect at the time of the issuance of the lapsed, terminated, expired or cancelled Common Stock Equivalents, with such additional adjustments as would have been made to the Conversion Value had the lapsed, terminated, expired or cancelled Common Stock Equivalents not been issued.

(iv) Consideration Other than Cash. For purposes of this Section 6E, if a part of or all of the consideration received by the Corporation in connection with the issuance of any Common Stock or Common Stock Equivalents consists of property other than cash, such consideration shall be deemed to have a fair market value as is reasonably determined in good faith by the Board.

(v) Exceptions to Adjustments For Dilutive Issuances. This Section 6F shall not apply to the issuance of:

(1) shares of capital stock granted or sold to directors, officers, employees, consultants or others providing services to the Corporation or any of its subsidiaries pursuant to any stock option plan, stock purchase plan, or other stock plan approved by the Board or otherwise;

(2) shares of capital stock issuable upon conversion or exercise of (A) any shares of Preferred Stock, whether or not outstanding as of the date hereof or (B) any Common Stock Equivalents outstanding as of the date hereof;

(3) shares of capital stock issued in a transaction as to which an appropriate adjustment to the Conversion Price shall have been made pursuant to Section 6F, 6G or 6H;

(4) Common Stock Equivalents or shares of capital stock issued in connection with commercial credit arrangements, equipment financings or similar transactions;

(5) Common Stock Equivalents or shares of capital stock issued in connection with corporate partnering transactions, licensing arrangements, channel arrangements or similar transactions;

(6) shares of Common Stock issued in connection with a public offering of the Corporation's Common Stock;

(7) Common Stock Equivalents or shares of capital stock issued in connection with bona fide mergers, acquisitions or similar transactions; or

(8) shares issued in any other transaction as to which the holders of a majority of the shares of Series I Preferred Stock then outstanding shall have waived in writing any anti-dilution adjustment hereunder.

F. Upon Extraordinary Common Stock Event. Upon the happening of an Extraordinary Common Stock Event, the Conversion Value shall, simultaneously with the happening of such Extraordinary Common Stock Event, be adjusted by multiplying the then-effective Conversion Value by a fraction, (1) the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such Extraordinary Common Stock Event; and (2) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such Extraordinary Common Stock Event, and the product so obtained shall thereafter be the Conversion Value. The Conversion Value, as so adjusted, shall be readjusted in the same manner upon the happening of any successive Extraordinary Common Stock Event or Events. An "Extraordinary Common Stock Event" shall mean: (i) the issuance of additional shares of Common Stock as a dividend or other distribution on the outstanding shares of Common Stock, (ii) the subdivision of outstanding shares of Common Stock into a greater number of shares of Common Stock, or (iii) the combination of the outstanding shares of Common Stock into a smaller number of shares of Common Stock, in each case other than pursuant to a transaction provided for in Section 6G or 6H.

G. Capital Reorganization or Reclassification. If the shares of Common Stock issuable upon conversion of Series I Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 6F, or a reorganization, merger, consolidation or sale of assets provided for in Section 6H), then and in each such event, but subject in any case to Section 5, the holders of shares of Series I Preferred Stock shall have the right thereafter to convert such shares into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change by the holders of the number of shares of Common Stock into which such shares of Series I Preferred Stock were convertible immediately prior to such reorganization, reclassification or other change, all subject to further adjustment as provided herein.

H. Reorganization, Merger or Consolidation. If at any time or from time to time there shall be a reorganization, reclassification or recapitalization of the capital stock (other than a subdivision, combination, reorganization, reclassification or exchange of shares provided for elsewhere in this Section 6) (a "Reorganization"), then as a part of such Reorganization, provision shall be made so that each holder of Series I Preferred Stock shall thereafter be entitled to receive upon conversion of such shares of Series I Preferred Stock, the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock into which such holder's shares of Series I Preferred Stock were convertible immediately prior to

such Reorganization would have been entitled upon consummation of such Reorganization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 6 with respect to the rights of the holders of Series I Preferred Stock after the Reorganization to the end that the provisions of this Section 6 (including adjustment of the Conversion Value then in effect, and the number of shares of Common Stock issuable upon conversion of the Series I Preferred Stock) shall be applicable after that event in as nearly equivalent a manner as may be practicable.

I. Certificate as to Adjustments. In each case of an adjustment or readjustment of the Conversion Value, the Corporation will furnish each holder of shares of Series I Preferred Stock with a certificate, prepared by the Chief Financial Officer or Treasurer of the Corporation, showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based. All adjustments shall be rounded upward or downward to the nearest fifth decimal place. All adjustments which represent a change in the Conversion Value of less than \$0.001 shall be cumulated and carried forward and added to the next adjustment. The Corporation agrees to maintain its stock transfer and registry books so as to reflect accurately the Conversion Value and the Conversion Rate.

J. Exercise of Conversion Privilege. To exercise the conversion right set forth in Section 6B, a holder of shares of Series I Preferred Stock shall surrender the certificates representing the shares being converted to the Corporation at its principal office, and shall give written notice to the Corporation at that office that such holder elects to convert such shares. Such notice shall also state the name or names (with address or addresses) in which the certificates for shares of Common Stock issuable upon such conversion shall be issued. The certificates for shares of Series I Preferred Stock surrendered for conversion shall be accompanied by proper assignment thereof to the Corporation or in blank. The date when such written notice is received by the Corporation, together with the certificates representing the shares of Series I Preferred Stock being converted, shall be deemed the "Conversion Date." As promptly as practicable after the Conversion Date, the Corporation shall issue and deliver certificates to each holder of shares of Series I Preferred Stock so converted, or on its written order, such certificates as it may request, for the number of whole shares of Common Stock issuable upon the conversion of such shares of Series I Preferred Stock in accordance with the provisions of this Section 6, and cash as provided in Section 6K, in respect of any fraction of a share of Common Stock issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Conversion Date, and at such time the rights of the holder as holder of the converted shares of Series I Preferred Stock shall cease and the person or persons in whose name or names any certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

K. Cash in Lieu of Fractional Shares. No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon any conversion of shares of Series I Preferred Stock. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of shares of Series I Preferred Stock, the Corporation shall pay to the holder of shares of Series I Preferred Stock which were converted a cash adjustment in respect of such fractional shares in an amount equal to the same fraction of the Market Price per share of the Common Stock at the close of business on the Conversion Date. The determination as to

whether or not any fractional shares are issuable shall be based upon the total number of shares of Series I Preferred Stock so converted at any one time by any holder thereof, and not upon each share of Series I Preferred Stock so converted.

L. Partial Conversion. In the event some but not all of the shares of Series I Preferred Stock represented by a certificate surrendered by a holder are converted, the Corporation shall execute and deliver to or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Series I Preferred Stock which were not converted.

M. Reservation of Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of shares of Series I Preferred Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series I Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series I Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

N. No Reissuance of Series I Preferred Stock. Shares of Series I Preferred Stock which are converted into shares of Common Stock as provided herein shall not be reissued.

O. Issue Tax. The issuance of certificates for shares of Common Stock upon conversion of any shares of Series I Preferred Stock shall be made without charge to the holders thereof for any issuance tax in respect thereof; provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the shares of Series I Preferred Stock which are being converted.

P. Closing of Books. The Corporation will at no time close its transfer books against the transfer of any shares of Series I Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series I Preferred Stock in any manner which interferes with the timely conversion of such shares of Series I Preferred Stock, except as may otherwise be required to comply with applicable securities laws.

7. Miscellaneous.

(a) The Corporation covenants that all shares of Common Stock which may be issued upon conversions of shares of Series I Preferred Stock will upon issuance be duly and validly issued, fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

(b) No share or shares of Series I Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise, shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

The number of shares of Series I Preferred Stock is 1,666,667, none of which have been issued.

IN WITNESS WHEREOF, this Certificate of Designation has been signed by an authorized officer of the Corporation as of the date first written above.

By: /s/ Michael Handelman

Name: Michael Handelman

Title: Chief Financial Officer

SERIES I PREFERRED STOCK PURCHASE AGREEMENT

This Series I Preferred Stock Purchase Agreement (this "*Agreement*") is made as of November 8, 2010, by and among Oxis International, Inc., a Delaware corporation (the "*Company*"), and the purchaser of the Company's Series I Preferred Stock listed on Exhibit A hereto who is a signatory of this Agreement (the "*Purchaser*").

In consideration of the mutual promises and covenants herein, the receipt and sufficiency are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1**Authorization and Sale of Series I Preferred Stock**

1.1 **Authorization of Series I Preferred Stock.** The Company has authorized the sale and issuance to the Purchasers of 1,666,667 shares, the Shares (the "*Shares*") of its Series I Preferred Stock, \$.001 par value (the "*Series I Preferred*"), having the rights, preferences, privileges and restrictions as set forth in the Certificate of Designation of Series I Preferred Stock in substantially the form attached hereto as Exhibit B (the "*Certificate of Designation*").

1.2 **Sale and Issuance of Series I Preferred.** Subject to the terms and conditions hereof, the Company will severally issue and sell to the Purchaser and the Purchaser will severally buy from the Company at the Closing (as defined in Section 2.1), at a per share purchase price of \$ 0.15 (the "*Per Share Price*"), the number of shares of Series I Preferred specified opposite the name of Purchaser in the column designated "Number of Shares" on Exhibit A.

SECTION 2**Closing Dates; Delivery**

2.1 **Closing Date.** It is anticipated that the purchase and sale of shares of Series I Preferred hereunder shall be consummated at a closing (the "*Closing*") to be held at the Company's offices in Los Angeles, California on November 8, 2010, at 9:00 A.M., local time or at such other date, time and place upon which the Company and the Purchaser shall agree. The date and time of the Closing are hereinafter referred to as the "*Closing Date*".

2.2 **Delivery and Payment.** At the Closing, the Company will deliver to Purchaser consummating the purchase of Shares hereunder at the Closing a certificate or certificates, registered in the Purchaser's name, representing the number of Shares to be purchased by the Purchaser at the Closing, against payment of the purchase price by wire transfer per the Company's instructions as detailed below;

Account Name: Oxis International, Inc.
Account Number:
Bank ABA Number:
Bank Name/Address:

SECTION 3

Representations and Warranties of the Company

Except as set forth on Exhibit C attached hereto, the Company represents and warrants to the Purchasers that, as of the date hereof:

3.1 **Organization and Standing; Certificate of Incorporation and Bylaws.** The Company is a corporation duly organized and existing under, and by virtue of, the laws of the State of Delaware and is in good standing under such laws. The Company has requisite corporate power and authority to own and operate its properties and assets and to carry on its business as presently conducted. The Company is presently qualified to do business as a foreign corporation in the State of California, and there is no other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business or financial condition of the Company. The Company has furnished the counsel for the Purchasers with copies of its Certificate of Incorporation and Bylaws, each as amended to date. Said copies are true, correct and complete and reflect all amendments now in effect.

3.2 **Corporate Power.** The Company has all requisite legal and corporate power and authority to execute and deliver this Agreement in substantially the form attached hereto as Exhibit D (the “*Amended and Restated Purchaser Rights Agreement*” and, together with this Agreement, the “*Investment Agreements*”), to sell and issue the Shares hereunder, to issue the underlying Common Stock (the “*Conversion Stock*”) in accordance with the provisions of the Certificate of Designation, and to carry out and perform its obligations under the terms of the Investment Agreements.

3.3 **Subsidiaries.** All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

3.4 **Authorization.** All corporate actions on the part of the Company, its directors and its shareholders necessary for the authorization, execution, delivery and performance of the Investment Agreements by the Company, the authorization, sale, issuance and delivery of the Shares and the Conversion Stock and the performance of the Company’s obligations under the Investment Agreements has been taken or will be taken prior to the Closing Dates. The Investment Agreements, when executed and delivered by the Company, shall constitute valid and binding obligations of the Company, enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies; provided, however, that the Company makes no representation as to the enforceability of the indemnification provisions contained in the Amended and Restated Purchaser Rights Agreement.

The Shares, when issued in compliance with the provisions of this Agreement, will be validly issued, fully paid and nonassessable, and will have the rights, preferences, privileges and restrictions described in the Certificate of Designation; the Common Stock issuable upon conversion of the Shares has been duly and validly reserved and, when issued in compliance with the provisions of the Certificate of Designation, will be validly issued, fully paid and nonassessable; and the Shares and the Conversion Stock will be free of any liens or encumbrances, other than any liens or encumbrances created by or imposed upon the holders; provided, however, that the Shares and the Conversion Stock may be subject to restrictions on transfer under state or federal securities laws and restrictions set forth in the Amended and Restated Purchaser Rights Agreement. The issuance of the Shares is not subject to any preemptive rights or rights of first refusal other than such as have been waived or satisfied as described on Exhibit C.

3.5 **SEC Reports; Financial Statements.** The Company has filed all reports, forms or other information required to be filed by it under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the 24 months preceding the date hereof (the foregoing materials being collectively referred to herein as the “SEC Reports”). As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

3.6 **Proprietary Rights.** The Company has title and ownership of, or full right to use, all patents, patent applications, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and processes necessary for its business as now conducted and, to the Company’s knowledge, without any conflict with or infringement of the rights of others. There are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, patent applications, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity. The Company is not aware of, and has not received any notice of, any violation or infringement by a third party of any of the Company’s patents, licenses, trademarks, service marks, trade names, copyrights, trade secrets or other proprietary rights. To the Company’s knowledge, the Company’s business as now conducted will not infringe or conflict with the rights of others, including rights under patents, service marks, trade names, trademarks, copyrights, trade secrets and other proprietary rights, in any manner that could reasonably be expected to materially and adversely affect the Company’s business.

The Company has taken reasonable measures to protect the secrecy, confidentiality and value of all trade secrets useful in the conduct of its business. To the knowledge of the Company, none of its employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Company or that would conflict with the Company's business as currently conducted. Neither the execution and delivery of the Investment Agreements, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as currently conducted, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated. The Company does not believe it is or will be necessary to utilize any inventions of any of its employees (or people it currently intends to hire) made prior to their employment by the Company.

3.7 **Litigation, etc.** There are no actions, suits, proceedings or investigations pending or, to the Company's knowledge, threatened in writing against the Company or its properties before any court or governmental agency.

3.8 **Material Liabilities.** Other than those disclosed in the Company's unaudited balance sheet, dated September 30, 2010 and attached hereto to Exhibit C, the Company has no liabilities or obligations, absolute or contingent, which are reasonably expected to exceed \$50,000 individually or in the aggregate and which are not disclosed and required to be disclosed on such balance sheet. Since October 1, 2010 the Company has not incurred any liability or obligation that exceeded or is reasonably expected to exceed \$50,000, other than in the ordinary course of business.

3.9 **Material Agreements.** All of the contracts and agreements with expected receipts or expenditures in excess of \$50,000 or involving a license or grant of rights to or from the Company involving patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and processes applicable to the current business of the Company, are valid, binding and in full force and effect in all material respects, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and the Company has not received any indication of an intention to terminate any such contract or agreement by any of the parties to any such contract or agreement.

3.10 **Title to Properties and Assets; Liens, etc.** The Company has good and marketable title to its properties and assets, and has good title to all its leasehold interests, in each case subject to no mortgage, pledge, lien, encumbrance or charge, other than (i) the lien of current taxes not yet due and payable, and (ii) possible minor liens and encumbrances which, when considered individually or together, do not materially detract from the value of the property subject thereto or materially impair the operations of the Company, and which have not arisen otherwise than in the ordinary course of business.

3.11 **Compliance with Other Instruments, None Burdensome, etc.** The Company is not in material violation of: any term of its Restated Certificate, as amended by the Certificate of Designation, or Bylaws; any term or provision of any mortgage, indebtedness, indenture, contract, agreement, instrument, judgment or decree; and, to its knowledge, any order, statute, rule or regulation applicable to the Company. The execution, delivery and performance of and compliance with the Investment Agreements, and the issuance of the Shares and the Conversion Stock, have not resulted and will not result in any violation of, or materially conflict with, or constitute a default under, the Company's Restated Certificate, as amended by the Certificate of Designation, or Bylaws, and have not and will not result in any material violation of, or materially conflict with, or constitute a material default under, any of its agreements nor result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company.

3.12 **Employees.** To the Company's knowledge, no employee of the Company is in violation of any term of any employment contract, non-disclosure agreement or any other similar contract or agreement relating to the relationship of such employee with the Company, any former employer or any other party. Each employee of the Company has executed a confidential information and invention assignment agreement.

3.13 **Registration Rights.** Except as set forth on Exhibit C and except for the Amended and Restated Purchaser Rights Agreement, the Company is not under any contractual obligation to register under the Securities Act of 1933, as amended (the "*Securities Act*"), any of its presently outstanding securities or any of its securities that may hereafter be issued.

3.14 **Governmental Consent, etc.** No consent, approval or authorization of or designation, declaration or filing with any governmental authority on the part of the Company is required in connection with the valid execution and delivery of the Investment Agreements, or the offer, sale or issuance of the Shares or the Conversion Stock, or the consummation of any other transaction contemplated hereby, except (i) the filing of the Certificate of Designation in the office of the Delaware Secretary of State prior to the Closing Date and (ii) the qualification (or taking of such action as may be necessary to secure an exemption from qualification, if available) of the offer and sale of the Shares and the Conversion Stock under applicable federal and state securities laws, which filings and qualifications, if required, will be accomplished in a timely manner.

3.15 **Offering.** Subject to the accuracy of the Purchaser's representations in Section 4 hereof, the offer, sale and issuance of the Shares and the Conversion Stock constitute transactions exempt from the registration requirements of Section 5 of the Securities Act.

3.16 **Brokers or Finders.** Except as set forth in Exhibit C attached hereto, neither the Company nor the Purchaser have incurred or will incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or the transactions contemplated hereby.

3.17 **Permits.** The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, or financial condition of the Company, and the Company believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted. To its knowledge, the Company is not in default in any material respect under any of such franchises, permits, licenses, or other similar authority.

SECTION 4

Representations and Warranties of the Purchasers

Each Purchaser hereby severally represents and warrants to the Company as follows:

4.1 **Preexisting Relationship with Company; Business and Financial Experience.** It either (i) has a prior business and/or personal relationship with the Company and/or its officers and directors, or (ii) by reason of its business or financial experience or the business or financial experience of its professional advisors who are unaffiliated with the Company and who are not compensated by the Company, has the capacity to protect its own interests in connection with the purchase of the Shares and underlying Conversion Stock.

4.2 **Investment Intent; Blue Sky.** It is acquiring the Shares and the underlying Conversion Stock for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, any distribution thereof. It understands that the issuance of the Shares and the underlying Conversion Stock has not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the Purchaser's investment intent and the accuracy of the Purchaser's representations as expressed herein. The Purchaser's address set forth on the Schedule of Purchasers attached hereto as Exhibit A represents the Purchaser's true and correct state of domicile, upon which the Company may rely for the purpose of complying with applicable federal and state securities laws.

4.3 **Rule 144.** It acknowledges that the Shares and the underlying Conversion Stock must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from such registration is available. It is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited public resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the shares, the availability of certain current public information about the Company, the resale occurring not less than six months after a party has purchased and paid for the security to be sold, and the number of shares being sold during any three-month period not exceeding specified limitations.

4.4 **Disclosure of Information.** Such Purchaser has had an opportunity to receive all information related to the Company requested by it and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Securities. Such Purchaser acknowledges receipt of copies of the SEC Filings. Neither such inquiries nor any other due diligence investigation conducted by such Purchaser shall modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement..

4.5 **Restrictions on Transfer; Restrictive Legends.** It understands that the transfer of the Shares and the Conversion Stock is restricted by applicable state and Federal securities laws and by the provisions of the Amended and Restated Purchaser Rights Agreement, and that the certificates representing the Shares and the Conversion Stock will be imprinted with legends restricting transfer except in compliance therewith.

4.6 **Purchase Entirely for Own Account.** The securities to be received by such Purchaser hereunder will be acquired for such Purchaser's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the 1933 Act, and such Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of the 1933 Act without prejudice, however, to such Purchaser's right at all times to sell or otherwise dispose of all or any part of such Securities in compliance with applicable federal and state securities laws. Nothing contained herein shall be deemed a representation or warranty by such Purchaser to hold the securities for any period of time. Such Purchaser is not a broker-dealer registered with the SEC under the 1934 Act or an entity engaged in a business that would require it to be so registered.

4.7 **Authorization.** All action on the part of the Purchaser's partners, board of directors, and shareholders, if and as applicable, necessary for the authorization, execution, delivery and performance of the Investment Agreements by the Purchaser, the purchase of and payment for the Shares and the Conversion Stock and the performance of all of the Purchaser's obligations under the Investment Agreements has been taken or will be taken prior to the Closing. The Investment Agreements, when executed and delivered by the Purchaser, shall constitute valid and binding obligations of the Purchaser, enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies; provided, however, that the Purchaser makes no representation as to the enforceability of the indemnification provisions contained in the Amended and Restated Purchaser Rights Agreement.

4.8 **Brokers or Finders.** Other than those disclosed in section 3, the Purchaser has not employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated by this Agreement, and the Company has not and will not incur, directly or indirectly, any such liability as a result of any action taken by the Purchaser.

4.9 **Accredited Purchaser.** The Purchaser represents that it is an accredited investor within the meaning of Regulation D under the Securities Act.

SECTION 5

Conditions to Closing of the Purchasers

Purchaser's obligation to purchase the Shares is, unless waived in writing by the Purchaser, subject to the fulfillment as of the Closing Date of the following conditions:

5.1 **Representations and Warranties Correct.** The representations and warranties made by the Company in Section 3 hereof shall be true and correct in all material respects as of the Closing Date.

5.2 **Covenants.** All covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Company on or prior to the Closing Date shall have been performed or complied with in all material respects.

5.3 **Blue Sky.** The Company shall have obtained all necessary state securities law permits and qualifications, or have the availability of exemptions therefrom, required by any state for the offer and sale of the Shares and the underlying Conversion Stock.

5.4 **Certificate of Designation.** The Certificate of Designation shall have been filed in the office of the Delaware Secretary of State.

5.5 **Compliance Certificate.** The Company shall have delivered to the Purchasers a certificate of the Company, executed by the Chief Executive Officer of the Company, dated as of the Closing Date and certifying the fulfillment of the conditions specified in Sections 5.1 and 5.2 of this Agreement.

SECTION 6

Conditions to Closing of the Company

The Company's obligation to sell and issue the Shares is, unless waived in writing by the Company, subject to the fulfillment as of the Closing Date of the following conditions:

6.1 **Representations and Warranties Correct.** The representations made in Section 4 hereof by the Purchasers shall be true and correct in all material respects as of the date of Closing Date.

6.2 **Covenants.** All covenants, agreements, and conditions contained in this Agreement to be performed or complied with by the Purchasers on or prior to the Closing Date shall have been performed or complied with in all material respects.

6.3 **Blue Sky.** The Company shall have obtained all necessary state law permits and qualifications, or have the availability of exemptions therefrom, required by any state for the offer and sale of the Shares and the underlying Conversion Stock.

6.4 **Certificate of Designation.** The Certificate of Designation shall have been filed in the office of the Delaware Secretary of State.

6.5 **Payment.** The Company shall have received the purchase price of the Shares purchased by each of the Purchasers.

6.6 **Waivers.** All applicable rights of first refusal, rights of first investment, preemptive rights and similar rights to subscribe for or purchase the Shares shall have expired unexercised or been validly waived in writing by the holders thereof.

SECTION 7

Miscellaneous

7.1 **Governing Law.** This Agreement shall be governed in all respects by the internal laws of the State of Delaware without regard to conflict of laws provisions.

7.2 **Entire Agreement; Amendment.** This Agreement, including the exhibits hereto, the Investment Agreements, and the other documents delivered at the Closing pursuant to this Agreement, constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof, and no party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

7.3 **Notices, etc** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by facsimile transmission, by hand or by messenger, addressed:

if to a Purchaser, to the address or fax number listed after such Purchaser's name on the Schedule of Purchasers attached hereto as Exhibit A or at such other address as such Purchaser shall have furnished to the Company, and if to the Company:

Oxis International, Inc.
Attn: Michael Handelman
Fax: (310) 500-2151

or at such other address as the Company shall have furnished to the Purchaser, with a copy to:

Troy Gould Professional Corporation
1801 Century Park East, 16th Floor
Los Angeles, California 90067
Attn: Istvan Benko, Esq.
Fax: (310) 201-4746

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when received if delivered personally, if sent by facsimile, the first business day after the date of confirmation that the facsimile has been successfully transmitted to the facsimile number for the party notified, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid.

7.4 **Delays or Omissions.** Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach or default of another party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring.. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

7.5 **Expenses.** The Company and the Purchaser shall bear their own expenses incurred on their own behalf with respect to this Agreement and the transactions contemplated hereby.

7.6 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which together shall constitute one instrument.

7.7 **Severability.** In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision, which shall be replaced with an enforceable provision closest in intent and economic effect as the severed provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

7.8 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

The foregoing agreement is hereby executed effective as of the date first set forth above.

"COMPANY"

OXIS INTERNATIONAL, INC.

By: /s/ Michael Handelman

Name: Michael Handelman

Title: Chief Financial Officer

"PURCHASER"

GEMINI PHARMACEUTICALS, INC.

By: /s/ Michael Finamore

Name: Michael Finamore

Title: Director

EXHIBIT A

(To Series I Preferred Stock Purchase Agreement)

Schedule of Purchasers

Name and Address	Number of Shares
Gemini Pharmaceuticals, Inc.	1,666,667

EXHIBIT B
(To Series I Preferred Stock Purchase Agreement)
Certificate of Designation – Series I Preferred Stock

EXHIBIT C
(To Series I Preferred Stock Purchase Agreement)

Schedule of Exceptions

Any disclosures made under the heading of one section of this Exhibit may apply to and/or qualify disclosures made under one or more other sections. Section headings are provided for convenience only. Unless otherwise defined, any capitalized terms in this Exhibit shall have the same meanings assigned to such terms in the Series I Preferred Stock Purchase Agreement to which this schedule is an exhibit. Nothing in this Schedule of Exceptions constitutes an admission of any liability or obligation of the Company to any third party, nor an admission against the Company's interests.

3.5 Authorization

3.13 Registration Rights – NONE

3.16 Brokers or Finders -