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 **June 30, 2011**

☐ 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	**94-1620407**
(State or other jurisdiction of incorporation or organization)	**(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)	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 August 15, 2011, the issuer had outstanding the indicated number of shares of common stock: 215,422,616.

OXIS INTERNATIONAL, INC.
FORM 10-Q
For the Quarter Ended June 30, 2011

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PART I. FINANCIAL INFORMATION

Item 1. **Financial Statements.**

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of June 30, 2011 and December 31, 2010

	June 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 89,000	$ 54,000
Prepaid expenses	105,000	83,000
Total Current Assets	194,000	137,000
Patents, net	34,000	48,000
Total Other Assets	34,000	48,000
TOTAL ASSETS	$ 228,000	$ 185,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$ 772,000	$ 625,000
Accrued interest	1,560,000	1,439,000
Accrued expenses	392,000	414,000
Warrant liability	980,000	1,012,000
Demand notes payable, net of discount of $84,000 and $0	227,000	205,000
Convertible debentures, net of discount of $32,000 and $250,000, current portion	668,000	415,000
Convertible debentures	1,199,000	1,544,000
Total Current Liabilities	5,798,000	5,654,000
Stockholders' Deficit:		
Convertible preferred stock - $0.001 par value; 15,000,000 shares authorized:		
Series C - 96,230 and 96,230 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	1,000	1,000
Series H – 25,000 and 25,000 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	—	—
Series I – 1,666,667 and 1,666,667 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	2,000	2,000
Common stock - $0.001 par value; 600,000,000 shares authorized; 209,499,515 and 149,571,976 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	209,000	149,000
Additional paid-in capital	76,898,000	74,474,000
Accumulated deficit	(82,680,000)	(80,095,000)
Total Stockholders' Deficit	(5,570,000)	(5,469,000)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 228,000	$ 185,000

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 Six Months Ended June 30, 2011 and 2010

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Product revenues	1,000	—	21,000	—
License revenues	—	—	—	—
TOTAL REVENUE	1,000	—	21,000	—
Cost of Product Revenue	15,000	—	40,000	—
Gross profit (loss)	(14,000)	—	(19,000)	—
Operating Expenses:				
Research and development	28,000	89,000	49,000	94,000
Selling, general and administrative	439,000	297,000	2,271,000	1,222,000
Total operating expenses	467,000	386,000	2,320,000	1,316,000
Loss from Operations	(481,000)	(386,000)	(2,339,000)	(1,316,000)
Change in value of warrant and derivative liabilities	(1,000)	773,000	102,000	—
Interest expense/income	(180,000)	12,000	(348,000)	(384,000)
Total Other Income (Expense)	(181,000)	785,000	(246,000)	(384,000)
Income (loss) before provision for income taxes	(662,000)	399,000	(2,585,000)	(1,700,000)
Provision for income taxes	—	—	—	—
Net income (loss)	(662,000)	$ 399,000	$ (2,585,000)	$ (1,700,000)
Earnings (Loss) Per Share, basic and diluted	$ 0.00	$ 0.00	$ (0.02)	$ (0.02)
Weighted Average Shares Outstanding, basic and diluted	182,371,966	102,509,717	167,548,894	87,625,988

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 Six Months Ended June 30, 2011 (unaudited) and
Year Ended December 31, 2010

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated
	Shares	Amount	Shares	Amount	Capital	Deficit
Balance, December 31, 2009	121,230	$ 1,000	67,040,809	$ 67,000	$ 71,308,000	$ (77,100,000)
Issuance of stock options					149,000	
Issuance of Preferred stock Series I	1,666,667	2,000			248,000	
Issuance of common stock for services			3,984,723	4,000	674,000	
Conversion of debt			75,047,995	75,000	2,075,000	
Exercise of warrants			3,398,449	3,000	23,000	
Exercise of stock options			100,000		20,000	
Deemed dividend					(23,000)	
Net loss						(2,995,000)
Balance, December 31, 2010	1,787,897	$ 3,000	149,571,976	$ 149,000	$ 74,474,000	$ (80,095,000)
Issuance of stock options					80,000	
Issuance of common stock for services			10,271,366	10,000	1,587,000	
Conversion of debt			45,548,860	46,000	757,000	
Conversion of warrants			4,107,313	4,000		
Net loss						(2,585,000)
Balance at June 30, 2011	**1,787,897**	**$ 3,000**	**209,499,515**	**$ 209,000**	**$ 76,898,000**	**$ (82,680,000)**

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 Six Months Ended June 30, 2011 and 2010

	Six months Ended June 30, 2011 (unaudited)	Six months Ended June 30, 2010 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,585,000)	$ (1,700,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	14,000	14,000
Stock compensation expense for options and warrants issued to employees and non-employees	60,000	555,000
Issuance of shares for services	1,597,000	—
Amortization of debt discounts	252,000	218,000
Change in value of warrant and derivative liabilities	(102,000)	—
Changes in operating assets and liabilities:		
Prepaid expense and other current assets	(22,000)	(39,000)
Accounts payable and accrued expenses	246,000	184,000
Net cash used in operating activities	(540,000)	(768,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of options and warrants	4,000	46,000
Proceeds from notes payable	621,000	—
Repayment of notes payable	(50,000)	—
Net cash provided by financing activities	575,000	46,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,000	(722,000)
CASH AND CASH EQUIVALENTS - Beginning of period	54,000	1,293,000
CASH AND CASH EQUIVALENTS - End of period	$ 89,000	$ 571,000

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

OXIS INTERNATIONAL, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(UNAUDITED)

Note 1 -- The Company and Summary of Significant Accounting Policies

OXIS International, Inc. (collectively, "OXIS" or the "Company") is engaged in the research, development and sale of products that counteract the harmful effects of "oxidative stress" and inflammation. Oxidative stress refers to the situations in which the body's antioxidant and other defensive abilities to combat free radicals (a.k.a. highly reactive species of oxygen and nitrogen) are overwhelmed and normal healthy balance is lost. The Company's current finished product and finished product candidates include therapeutic nutraceutical products, cosmeceutical products, functional foods and functional beverages. The Company also possesses intellectual property covering a number of proprietary compounds and formulations that may be out-licensed to biotech and pharmaceutical companies as drug candidates. The Company's primary focus currently is on products that incorporate the unique amino acid naturally occurring compound, L-Ergothioneine ("ERGO"), as a key component. Ergothioneine is produced only by microorganisms in soil and is not synthesized by humans, animals or plants. The Company has spent approximately $75 million in researching and developing ERGO, and now owns a patented process to synthesize commercial quantities of ERGO in a highly stable form that is highly soluble and tasteless, making it suitable for use in combination with other nutraceuticals and botanicals in a wide variety of dietary supplements, functional foods and beverages, and topical anti-aging products including lotions and creams.

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, 2010.

The results and trends on these interim condensed consolidated financial statements for the three months and six months ended June 30, 2011 and 2010 may not be representative of those for the full fiscal year or any future periods.

Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of $82,680,000 through June 30, 2011. On a consolidated basis, the Company had cash and cash equivalents of $89,000 at June 30, 2011. 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.

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 1,527,778 and 10,534,761 shares of the Company’s common stock to employees and directors during the six months ended June 30, 2011 and 2010, 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 2011: expected volatility of 12% to 14%; average risk-free interest rate of 1.76% to 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 $60,000 and $62,000 for the six months ended June 30, 2011 and 2010, 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.

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 six months ended June 30, 2011 and 2010, 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 June 30, 2011 totaled 399,733,770.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the Company's financial position or results of operations.

Fair Value Measurements

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.

- 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 June 30, 2011.

Description	Level 1	Level 2	Level 3
Assets			
	$ —	$ —	$ —
Liabilities			
Warrant liability	—	980,000	—

Note 2 – Patents

	June 30, 2011	December 31, 2010
Capitalized patent costs	$ 640,000	$ 640,000
Accumulated amortization	(606,000)	(592,000)
	$ 34,000	$ 48,000

Periodically, the Company reviews its patent portfolio and has determined that certain patent applications no longer possessed commercial viability or were abandoned since they were inconsistent with the Company's business development strategy.

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

2011	$ 23,000
2012	11,000
2013	4,000
2014	4,000
2015	4,000

Note 3 -- 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.

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 nutraceutical 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, and on June 19, 2008, the Company received a Notice of Disposition of Collateral from Bristol in which Bristol notified the Company that Bristol, acting as the agent for itself and the three other Purchasers, purchased certain assets held as collateral under the security agreement (referred to in this report as the “Security Agreement”). Bristol purchased 111,025 shares of common stock of BioCheck, Inc., the Company’s majority owned subsidiary, on a credit bid of $50,000, and Bristol also purchased 1,000 shares of the capital stock of OXIS Therapeutics, Inc., a wholly owned subsidiary of OXIS, for a credit bid of $10,000. In December 2005, OXIS purchased the 111,025 shares of common stock of BioCheck, Inc. for $3,060,000. After crediting the aggregate amount of $60,000 to the aggregate amount due under the Debentures, plus fees and charges due through June 19, 2008, Bristol notified the Company that the Company remains obligated to the Purchasers in a deficiency in an aggregate amount of $2,688,000 as of June 19, 2008. As a result of the disposition of the collateral, the Company recorded a net loss aggregating $2,978,000.

During 2009, Bristol converted $177,900 of the principal amount for 17,790,000 shares of the Company’s common stock.

During 2010, Bristol converted an additional $401,000 of the principal amount for 40,100,000 shares of the Company’s common stock.

In February 2011, Bristol converted an additional $74,000 of the principal amount for 7,400,000 shares of the Company’s common stock.

In March 2011, Bristol converted an additional $114,000 of the principal amount for 11,400,000 shares of the Company’s common stock.

In April 2011, Bristol converted an additional $60,000 of the principal amount for 6,000,000 shares of the Company’s common stock.

In May 2011, Bristol converted an additional $97,000 of the principal amount for 9,700,000 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.

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:

- 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.

During 2010, Investors converted $1,335,000 of the principal amount for 26,700,000 shares of the Company's common stock.

In March 2011, Investors converted an additional $40,000 of the principal amount for 800,000 shares of the Company's common stock.

In April 2011, Investors converted $350,000 of the principal amount for 7,000,000 shares of the Company's common stock.

In June 2011, Investors converted $20,000 of the principal amount for 400,000 shares of the Company's common stock.

On June 1, 2011, the Company entered into a financing arrangement with several accredited investors (the "June 2011 Investors"), pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $500,000 (the "June 2011 Financing"). In connection with the June 2011 Financing, the Company issued the following securities to the June 2011 Investors:

- 12% Convertible Debentures in the principal amount of $500,000 due April 15, 2012, convertible into shares of the Company's common stock at a per share conversion price equal to $0.10 per share; and
- Warrants to purchase 5,000,000 of shares of the Company's common stock. The warrants are exercisable, on a cash or cashless basis, for up to two years from the date of issue at a per share exercise price equal to $0.15.

The Debentures and the Warrants are collectively referred to herein as the "June 2011 Securities".

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.

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.

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

On February 7, 2011 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 $0.05.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a Series A Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.0625, and a Series B Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.075. The Series A Warrants and Series B Warrants are exercisable for up to seven years from the date of issue. Bristol may exercise the Warrants on a cashless basis if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrants on a cashless basis, we will not receive any proceeds.

On February 7, 2011 the Company entered into a convertible demand promissory note with Net Capital Partners, Inc., pursuant to which Net Capital purchased an aggregate principal amount of $31,375 of convertible demand promissory notes for an aggregate purchase price of $25,000. The Net Capital Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to $0.05.

Simultaneously with the issuance of the Net Capital Note, the Company issued Net Capital a Series A Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.0625, and a Series B Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.075. The Series A Warrants and Series B Warrants are exercisable for up to seven years from the date of issue. Net Capital may exercise the Warrants on a cashless basis if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement. In the event Net Capital exercises the Warrants on a cashless basis, we will not receive any proceeds.

On March 4, 2011 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 $0.05.

Simultaneously with the issuance of the Bristol Note, the Company issued Bristol a Series A Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.0625, and a Series B Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.075. The Series A Warrants and Series B Warrants are exercisable for up to seven years from the date of issue. Bristol may exercise the Warrants on a cashless basis if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement. In the event Bristol exercises the Warrants on a cashless basis, we will not receive any proceeds.

On April 4, 2011 the Company entered into a convertible demand promissory note with Net Capital Partners, Inc., pursuant to which Net Capital purchased an aggregate principal amount of $31,375 of convertible demand promissory notes for an aggregate purchase price of $25,000. The Net Capital Note will be convertible at the option of the holder at any time into shares of common stock, at a price equal to $0.05.

Simultaneously with the issuance of the Net Capital Note, the Company issued Net Capital a Series A Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.0625, and a Series B Warrant to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.075. The Series A Warrants and Series B Warrants are exercisable for up to seven years from the date of issue. Net Capital may exercise the Warrants on a cashless basis if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement. In the event Net Capital exercises the Warrants on a cashless basis, we will not receive any proceeds.

Financing Agreement

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. At June 30, 2011, there were no borrowings under the agreement.

Joint Ventures

On March 1, 2011 the Company signed a term sheet that called for the formation of a joint venture with Engage:BDR to promote, market and sell online the Company's current and planned health and nutrition products.

The Company will agree to contribute up to $1,500,000 to the joint venture during the first year. Engage:BDR will agree to provide a full range of online marketing services to the joint venture, including developing brand strategy, the design of all digital media and interfaces, online media planning and buying, leveraging and integrating social media, and customer analysis. At June 30, 2011, the joint venture has not commenced its operations, and no contributions were made by either party pursuant to the agreement.

On June 29, 2011 the Company entered into a Joint Venture Agreement with John E. Repine, M.D. Under the terms of the Joint Venture Agreement, OXIS and Dr. Repine formed a Delaware limited liability company, Ergo ARDS, LLC (Ergo ARDS), in which OXIS holds a 60% membership interest and Dr. Repine holds a 40% membership interest. Ergo ARDS, LLC was formed to develop, acquire and market dietary supplements, cosmeceutical products, nutraceutical products, medical foods and pharmaceuticals using L-Ergothioneine for treating, diagnosing and preventing acute respiratory distress syndrome and other lung disorders (ARDS).

Concurrently with the execution of the Joint Venture Agreement, Dr. Repine assigned his interest in the patent applications relating to the use of Ergo in treating ARDS to Ergo ARDS. In consideration for the assigned interest, Dr. Repine was issued a 40% membership interest in Ergo ARDS.

OXIS will be responsible for supplying Ergo to Ergo ARDS at no cost in connection with Ergo ARDS' animal studies. OXIS will also pay all patent prosecution and maintenance costs relating to the assigned intellectual property.

Ergo ARDS is required to make payments to Dr. Repine upon the achievement of certain milestones by Ergo ARDS. Any future payments to Dr. Repine shall be made based on the achievement of following milestones:

- Ergo ARDS shall pay the following cash amounts to Dr. Repine upon the attainment of the following milestones:

  (i) Licensing the Assigned IP to a pharmaceutical company -- $1,000,000;
  (ii) Completion of Phase I Clinical Trial -- $250,000;
  (iii) Completion of Phase II Clinical Trial -- $1,000,000;
  (iv) Completion of pivotal Phase III Clinical Trial -- $1,500,000; and
  (v) Receipt of FDA Marketing approval -- $3,000,000

- Ergo ARDS shall pay the following cash amounts to Dr. Repine upon the attainment of the following milestones:

  (i) Licensing the Assigned IP to, or entering into a distribution agreement with, a nutraceutical or similar company -- $100,000; and
  (ii) Gross sales of products utilizing Ergo in the Field – 5% of annual gross sales by the Company or any licensee or distributor (including Oxis).

Following the successful completion of the animal studies, OXIS and Dr. Repine will make a joint decision to commence human clinical trials. If the parties do not agree to proceed, the Joint Venture Agreement will terminate and the intellectual property belonging to Ergo ARDS will be assigned to the party that elected to proceed. In the event both parties agree to not proceed, Ergo ARDS will continue to hold the intellectual property. If the parties agree to proceed, OXIS will use its best efforts to raise $3 million for Ergo ARDS. Once the $3 million in funds have been successfully raised by OXIS, OXIS will no longer be responsible for paying Ergo ARDS' operating costs, including costs related to Ergo ARDS' intellectual property.

Ergo ARDS will be managed by Dr. Repine as Manager, Chief Executive Officer and Treasurer. Ergo ARDS will also have a board of five members, consisting of Dr. Repine and a designee of Dr. Repine, and three designees of OXIS.

Note 4 -- Stockholders' Equity

Common Stock

Under the Company's Second Amended and Restated Certificate of Incorporation previously in effect, the Company was authorized to issue a total of 150,000,000 shares of Common Stock. As of January 5, 2011, 149,513,815 shares of Common Stock were issued and outstanding. Accordingly, as of that date, there were only 486,185 shares available for future issuance. However, as of January 5, 2011, the Company had outstanding options, warrants and convertible debentures that, if exercised or converted would result in the issuance of approximately 419,046,703 additional shares of the Company's Common Stock. Since the Company did not have sufficient authorized shares to accommodate all of its currently outstanding options, warrants and convertible debentures, it was necessary to increase the authorized number of shares of Common Stock.

On January 5, 2011, the Company's Board of Directors approved an amendment to its Second Amended and Restated Certificate of Incorporation to increase the shares of Common Stock that are authorized for issuance by 450,000,000 shares, bringing the total number of common shares authorized for issuance to 600,000,000.

The approval of the Amendment required the consent of no less than at least a majority of the voting power of the Company. Theorem Group, LLC owns, in addition to other of our securities, 25,000 shares of Series H Convertible Preferred Stock. The Certificate of Designation of Preferences, Rights and Limitations of the Series H Convertible Preferred Stock provides that each outstanding share of Series H Convertible Preferred Stock entitles the holder thereof to a number of votes equal to (A) the number of shares of Common Stock that such share of preferred stock could, at such time, be converted into (B) multiplied by 100. The Series H Convertible Preferred Stock is currently convertible into 2,500,000 shares of Common Stock. Accordingly, Theorem Group, LLC has the voting power of 250,000,000 shares, which represents more than a majority of voting power of all of the Company's outstanding voting shares. Theorem Group, LLC approved the Amendment on January 5, 2011 by an action taken by written consent. The amendment was filed with the Delaware Secretary of State in February 2011.

During the six months ended June 30, 2011 and 2010, the Company issued a total of 55,548,860 and 46,163,560 shares of common stock, respectively for retirement of debt valued at $2,248,000 and $1,329,000, respectively.

During the six months ended June 30, 2011 and 2010 the Company issued a total of 271,366 and 2,194,048 shares of common stock, respectively, for the payment of services aggregating to $95,000 and $492,000, respectively.

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 June 30, 2011.

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 an 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 Preferred 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 Convertible Preferred Stock, par value $.001 per share ("Series G Preferred"), 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:

- 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, 2010	13,934,651	$ 0.15
Granted	1,527,778	0.11
Forfeited	15,000	0.69
Exercised	—	—
Outstanding as of June 30, 2011	15,447,429	$ 0.11

Warrants

Following is a summary of the warrant activity:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding as of December 31, 2010	80,041,252	$ 0.07
Granted	6,882,500	0.13
Forfeited	4,042,687	0.07
Exercised	3,607,313	0.07
Outstanding as of June 30, 2011	79,273,752	$ 0.08

Note 6 - Employment and Advisory Agreements Obligations

In March 2010, the Company entered into one-year employment agreements with its new president and chief financial officer. The agreements renew automatically for up to four additional consecutive one year periods unless terminated by either party. Among other provisions, the agreements provide for base salaries of $100,000 and $54,000, respectively and provide for the granting of options to purchase up to 2,220,453 and 250,000 shares of common stock respectively.

In March 2010, the Company entered into a one year advisory agreement with a director in connection with his services as the corporate secretary and participation on the Company's Board of Directors. The agreement renewed automatically for additional one year periods and terminated upon the resignation or disability of the director from the Board of Directors. The Company could terminate his services as corporate secretary at any time with 10 days written notice. Among other provisions, the agreement provided for an initial monthly advisory fee of $5,250 and options to purchase 1,110,227 shares of the company common stock at an exercise price $0.17 per share. The options vested in eight equal quarterly installments. The advisor was also entitled to an additional option to purchase 1,110,227 shares of the Company's common stock after one year if the agreement had not been terminated. The advisor resigned from the Board of Directors on July 14, 2010.

In March 2010, the Company entered into a three-year employment agreement with its chief executive officer. The agreement renews automatically for successive one year terms unless terminated by either party. Among other provisions, the agreements provides for a base salary of $180,000, provides for an annual bonus to be determined by the Board of Directors and provides for the granting of options to purchase 6,704,081 shares of the Company's common stock, exercisable at $0.17 per share.

Anthony Cataldo was this Company's Chief Executive Officer and Chairman of the Board of Directors from March 29, 2010 until June 1, 2011. Mr. Cataldo resigned as the Company's Chief Executive Officer effective June 1, 2011, but remained as Chairman of the Board of Directors. In connection with his resignation as CEO, the Company agreed to pay Mr. Cataldo a monthly salary of $15,000.00, payable as follows: (1) in June 2011, Mr. Cataldo was entitled to be paid cash compensation of $10,000 and 100,000 restricted shares of Common Stock which were valued at $0.05 per share, (2) in July and August 2011, Mr. Cataldo is entitled to be paid cash compensation of $5,000 and to receive 200,000 unregistered shares of Common Stock, and (3) beginning in September 2011, he shall be entitled to 300,000 unregistered shares of Common Stock.

The Company entered into a two-year Scientific Advisory Board Services Agreement with L. Stephen Coles on March 4, 2010. Mr. Coles receives an advisory fee for $9,000 per quarter. Upon entering into the agreement, the Company granted Mr. Coles an initial option to purchase 250,000 shares of the Company's common stock under its 2003 Stock Incentive Plan. The options vest and become exercisable in four equal quarterly installments beginning June 4, 2010. Pursuant to the terms of the agreement, a second option to purchase 500,000 shares of the Company's common stock under our 2003 Stock Incentive Plan was granted on March 4, 2011.

The Company entered into a two-year Scientific Advisory Board Services Agreement with Rajan Shah on July 15, 2010. Mr. Shah receives an advisory fee for $9,000 per quarter. Upon entering into the agreement, the Company granted Mr. Shah an initial option to purchase 250,000 shares of the Company's common stock under its 2003 Stock Incentive Plan. The options vest and become exercisable in four equal quarterly installments beginning October 15, 2010. Pursuant to the terms of the agreement, a second option to purchase 500,000 shares of the Company's common stock under its 2003 Stock Incentive Plan will be granted on July 15, 2011.

The Company entered into a two-year Advisory Board Services Agreement with Sandep Rahi on July 15, 2010. Mr. Rahi receives an advisory fee for $9,000 per quarter. Upon entering into the agreement, the Company granted Mr. Rahi an initial option to purchase 250,000 shares of the Company's common stock under its 2003 Stock Incentive Plan. The options vest and become exercisable in four equal quarterly installments beginning October 15, 2010. Pursuant to the terms of the agreement, a second option to purchase 500,000 shares of the Company's common stock under its 2003 Stock Incentive Plan will be granted on July 15, 2011.

On January 1, 2011, the Company entered into a consulting agreement with Bristol Capital, LLC whereby Bristol will assist the company in general corporate activities including but not limited to strategic and financial planning, management and business operations, final projections and investor relation materials. As compensation for these services, the Company will issue 5,000,000 shares of common stock of the Company. The term of the agreement is for six months unless terminated or extended in accordance with subsequent agreements between the parties.

Effective January 1, 2011, the Company entered into a consulting agreement with Piter Korompis, whereby Mr. Korompis will assist the Company in general corporate activities including but not limited to strategic and financial planning, management and business operations, final projections and investor relation materials. As compensation for these services, the Company will issue 5,000,000 shares of common stock of the Company. The term of the agreement is for 12 months unless terminated or extended in accordance with subsequent agreements between the parties.

In connection with a joint venture agreement, the Company entered into a consulting agreement with John E. Repine, M.D. on June 28, 2011, whereby Dr. Repine will provide advisory services to OXIS and Ergo ARDS and serve as Ergo ARDS' Chief Executive Officer. OXIS' payments to Dr. Repine under the consulting agreement will be made in shares of OXIS common stock. OXIS agreed to issue shares of Common Stock to Dr. Repine as follows:

- On July 6, 2011 OXIS issued to Dr. Repine 2,777,778 shares of common stock (valued at $250,000) for various services relating to the terms of the consulting agreement;

- OXIS agreed to issue to Dr. Repine additional shares of common stock valued at $50,000 upon completion of the first animal study and Dr. Repine's delivery to Ergo ARDS of a summary presentation of the findings of the study; and

- OXIS agreed to issue Dr. Repine additional shares of common stock valued at $100,000 upon the completion of such second animal study and Dr. Repine's delivery to Ergo ARDS of a summary presentation of the findings of the study.

If the value of these shares decreases at the end of the 6-month period following the date of issuance of such shares, OXIS will be obligated to issue additional shares of common stock to Dr. Repine so that the market value of the shares previously issued to Dr. Repine on that date will equal to $250,000, $50,000 or $100,000, as the case may be.

Note 7 – Subsequent Events

Effective July, 1, 2011 the OXIS Board of Directors adopted a new compensation plan pursuant to which it agreed to pay each member of its Board of Directors an annual base fee of $30,000 for serving as a director, plus $1,250 per month for serving on as the chairperson of any committee of the Board, plus $500 per month for serving as a member of any committee of the Board. The annual base fee is paid in equal quarterly installments. In addition, as part of the Board's new compensation package, Messrs. Hoog, Eaton and Saloff shall also receive a non-qualified stock option to purchase $70,000 worth ($70,000 divided by the stock price on the date of grant) of shares of Common Stock.

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, 2010. 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

OXIS International, Inc. is engaged in the research, development and sale of products that counteract the harmful effects of "oxidative stress" and inflammation. Oxidative stress refers to the situations in which the body's antioxidant and other defensive abilities to combat free radicals (a.k.a. highly reactive species of oxygen and nitrogen) are overwhelmed and normal healthy balance is lost. Our current finished product and finished product candidates include therapeutic nutraceutical products, cosmeceutical products, functional foods and functional beverages. The Company also possesses intellectual property covering a number of proprietary compounds and formulations that may be out-licensed to biotech and pharmaceutical companies as drug candidates. Our primary focus currently is on products that incorporate the unique amino acid naturally occurring compound, L-Ergothioneine ("ERGO"), as a key component. Ergothioneine is produced only by microorganisms in soil and is not synthesized by humans, animals or plants. We have spent approximately $75 million in researching and developing ERGO, and now own a patented process to synthesize commercial quantities of ERGO in a highly stable form that is highly soluble and tasteless, making it suitable for use in combination with other nutraceuticals and botanicals in a wide variety of dietary supplements, functional foods and beverages, and topical anti-aging products including lotions and creams.

Recent Developments

Joint Ventures

On March 1, 2011 we signed a term sheet that called for the formation of a joint venture with Engage:BDR to promote, market and sell online our current and planned health and nutrition products.

The formation of the joint venture has not yet been completed, and no operations have yet been conducted under this joint venture. Under our arrangement with Engage:BDR, we will be required to contribute up to $1,500,000 during the first year, and Engage:BDR will be required to provide a full range of online marketing services to the joint venture, including developing brand strategy, the design of all digital media and interfaces, online media planning and buying, leveraging and integrating social media, and customer analysis.

On June 29, 2011 we entered into a Joint Venture Agreement with John E. Repine, M.D., pursuant to which Dr. Repine assigned his interest in the patent applications relating to the use of Ergo in treating acute respiratory distress syndrome and other lung disorders ("ARDS") to Ergo ARDS, LLC (the "Ergo LLC"), a Delaware limited liability company formed pursuant to the terms of the Joint Venture Agreement. We hold a 60% membership interest and Dr. Repine holds a 40% membership interest in the Ergo LLC. The Ergo LLC was formed to develop, acquire and market dietary supplements, cosmeceutical products, nutraceutical products, medical foods and pharmaceuticals using L-Ergothioneine for treating, diagnosing and preventing ARDS.. Ergo LLC is required to make payments to Dr. Repine upon achievement of certain milestones. Ergo LLC will be managed by Dr. Repine as Manager, Chief Executive Officer and Treasurer, and will have a board of five members, consisting of Dr. Repine, a designee of Dr. Repine, and three designees of OXIS.

Changes in Officers and Directors

Anthony Cataldo was our Chief Executive Officer and Chairman of the Board of Directors from March 29, 2010 until June 1, 2011. Mr. Cataldo resigned as Chief Executive Officer effective June 1, 2011, but remained as Chairman of the Board of Directors.

On June 27, 2011, Kenneth Eaton was appointed to our Board of Directors.

On June 30, 2011, David Saloff was appointed to our Board of Directors.

Results of Operations

Revenues/Cost of Product Revenues

In December 2010, we initiated a direct mail test market for ErgoFlex™, which generated $21,000 of revenues in fiscal 2011 (mostly in the first quarter of 2011). The following table presents the changes in revenues from 2010 to 2011:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Increase from 2010	2011	2010	Increase from 2010
Product revenues	$ 1,000	$ 0	$ 1,000	$ 21,000	$ 0	$ 21,000

Because we did not actively market any products in the first fiscal half of 2010 or 2011, we do not believe that the revenue data for those periods is meaningful or an indication of our future operations. Assuming that we are able to raise the capital needed, we plan to actively market our products in 2011 and to release at least one additional consumer product. Our primary marketing activity is expected to be conducted through the Engage:BDR online joint venture. Therefore, if we are adequately capitalized, revenues for 2011 are expected to significantly increase in 2011 compared to prior years.

The following table presents the changes in cost of product revenues from 2010 to 2011:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Increase from 2010	2011	2010	Increase from 2010
Cost of product revenues	$ 15,000	$ 0	$ 15,000	$ 40,000	$ 0	$ 40,000

During the six months ended June 30, 2011, we purchased products for the direct market test campaign that we initiated in December 2010 and that has continued into 2011. The cost of products exceeded our product revenues due to the high start-up costs of manufacturing a limited amount of our products for the test marketing initiative.

Research and Development Expenses

During the six months ended June 30, 2011, we incurred $49,000 in research and development expenses as we continued our efforts to develop nutraceutical products in the field of oxidative stress reduction that we released in late 2010. We anticipate that 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 2010 to 2011:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Increase from 2010	2011	2010	Increase from 2010
Selling, general and administrative expenses	$ 439,000	$ 297,000	$ 142,000	$ 2,271,000	$ 1,222,000	$ 1,049,000

The increase in selling, general and administrative expenses is primarily attributable to an increase in non-cash compensation expense, an increase in overhead, an increase in independent contractors and an increase in shareholder relations expenses. In March 2010, we hired a new President and a new Chief Financial Officer. Accordingly, last year's six month period did not include the compensation of these new officers for the entire six month period. These additional compensation obligations will increase our cash compensation payment obligations in future periods. In fiscal 2011 we incurred non-cash compensation expense of $1,597,000 for services rendered.

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, October 2009 and June 2011. 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 $(1,000) and $773,000 compared to $102,000 and $0 for the three months and six months ended June 30, 2011 and 2010, respectively.

Interest Expense (Income)

Interest expense was $348,000 and $180,000 compared to $384,000 and $(12,000) for the three months and six months ended June 30, 2011 and 2010, respectively. The decrease is primarily due to a decrease in the 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.

Net Loss

We had a net loss of $662,000 and $2,585,000, compared to a net income of $399,000 and net loss of $1,700,000 for the three months and six months ended June 30, 2011 and 2010, respectively. The net loss in the first six months of 2011 was primarily the result of general and administrative expenses of $2,271,000 and interest expense of $348,000, which expenses were partially offset by a change in value of warrant and derivative liabilities of $102,000. The net loss in the first six months of 2010 primarily consisted of selling, general and administrative expenses of $1,222,000 and interest expense of $384,000 associated with notes payable.

Liquidity and Capital Resources

On a consolidated basis, we had cash and cash equivalents of $89,000 at June 30, 2011. However, we also had $5,798,000 of current liabilities (of which $4,818,000 represented current cash obligations and $980,000 represented non-cash warrant liabilities). As a result, on a cash basis, as of June 30, 2011, we had a working capital deficit of $5,570,000. In addition, we incurred a net loss of $2,585,000 for the six months ended June 30, 2011 and have an accumulated deficit of $82,680,000 through June 30, 2011.

During 2010 we funded our operating expenses from a $2,000,000 private placement of convertible debentures and warrants that we completed in October 2009. The securities were sold to certain accredited investors, including Theorem Group, LLC, an affiliate of Mr. Dube, one of our directors. On November 10, 2010, we also sold 1,666,667 shares of our Series I Convertible Preferred Stock, at a price of $0.15 per share, to Oasis OXIS Investment Group, LLC for $250,000. The foregoing funds have been depleted, and we need additional capital or increased revenues from our new products to fund our operating expenses.

In order to fund our purchases of product inventory, on October 13, 2010 we obtained a revolving line of credit of up to $750,000 from Gemini Pharmaceuticals, Inc., which credit facility can only be used for nutraceutical product and inventory purchases from Gemini. The amount of advances available to us under the credit facility is tiered, starting at $250,000, and upon us meeting certain milestones, will be increased to $500,000, and then $750,000.

Although we anticipate that our revenues will increase during the 2011 fiscal year as a result of sales of our first product that we test marketed in late 2010, the introduction of this and other additional products we plan to commence marketing in 2011, and the new on-line marketing joint venture arrangement we entered into in March 2011 with engage:BDR, it is uncertain whether the funds we derive from our anticipated increased sales will be sufficient in the short term to fund our working deficit or to repay our current liabilities.

We currently do not have sufficient cash or other current assets to fund out short-term working capital requirements. In addition, because our revenues from sales of our first product are very limited, and because we continue to incur general and administrative cost, we will need to obtain additional capital in the near term in order to continue operations. Furthermore, we will need capital in order to expand our operations and fund the increases in our administrative expenses that we expect will result in 2011 if our business develops as anticipated. However, other than the Gemini inventory credit facility, we presently have no bank financing or other external sources of liquidity. Since December 31, 2010, we have been funded through four $25,000 short-term loans provided by Bristol Investment Fund, Ltd. and an unaffiliated lender. These notes are due on demand. On June 1, 2011, we entered into a financing arrangement with several accredited investors in consideration of a maximum aggregate purchase price of $500,000. In order to obtain the necessary capital we need to fully fund our operating needs, including our obligation to contribute up to $1,500,000 to our new marketing joint venture, and to make capital contributions to our new Ergo ARDS, LLC joint venture, we will have raise additional debt or equity funding. There is no assurance that we will be successful in obtaining additional funding. Our inability to obtain additional funding will prevent our ability to conduct our business in accordance with our business plan. If we are unable to obtain additional funding, we will not be able to fund our obligations under these joint ventures and the other business activities that we currently plan to undertake.

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. The downturn in the equity and debt markets for small-cap public companies is 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 not be able to fund our marketing joint venture, which joint venture is expected to be our primary product marketing and sales initiative in 2011, and we may have to curtail our operations or abandon our business plan.

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.

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 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, 2010.

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, 2010.

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

During the three-month period ended June 30, 2011, we issued 39,418,673 shares of common stock that were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were not previously reported in a Current Report on Form 8-K. The foregoing issuances consisted of the following:

During the three-month period ended June 30, 2011, we issued 39,418,673 shares of common stock that were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were not previously reported in a Current Report on Form 8-K. The foregoing issuances consisted of the following:

- 10,000,000 shares of Common Stock were issued to a consultant as compensation for services rendered to the Company (having an aggregate value of $1,500,000);

- 4,107,313 shares were issued to holders upon exercise of warrants (having an aggregate value of $4,107); and

- 25,311,360 shares were issued to holders upon conversion of $780,100 of convertible debentures and demand notes.

On April 4, 2011 we issued a convertible demand promissory note to Net Capital Partners, Inc. ("Net Capital"), in the principal amount of $31,375 of convertible demand promissory notes for a purchase price of $25,000. The convertible demand promissory note will be convertible at the option of the holder at any time into shares of common stock, at a conversion price of $0.05 per share. We also issued to Net Capital a Series A Warrant to purchase 313,750 shares of Common Stock at a per share exercise price of $0.0625, and a Series B Warrant to purchase 313,750 shares of Common Stock at a per share exercise price of $0.075. The Series A Warrants and Series B Warrants are exercisable for up to seven years from the date of issuance. Net Capital may exercise the Warrants on a cashless basis if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement. In the event Net Capital exercises the Warrants on a cashless basis, we will not receive any proceeds.

All of the foregoing were effected without registration under the Securities Act of 1933, as amended, in reliance on the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, and/or Regulation D thereunder. The purchasers were accredited investors, no general soliciation or advertising was used in connection with the sale of the shares, and the Company has imposed appropriate limitations on resales. There was no underwriter involved in these sales.

Item 3. Defaults Upon Senior Securities.

There have been no material changes from the disclosure provided in Part I, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. [Reserved]

Item 5. Other Information.

None.

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).

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.
August 22, 2011	By:	/s/ Bernard Landes Bernard Landes President (Principal Executive Officer)
August 22, 2011	By:	/s/ Michael Handelman Michael Handelman Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Bernard Landes, President 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: August 22, 2011

By: /s/ Bernard Landes
Bernard Landes
President

Exhibit 31.2

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: August 22, 2011

By: /s/ Michael Handelman
Michael Handelman
Chief Financial Officer

Exhibit 32.1

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 June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Bernard Landes, President 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: August 22, 2011

By: /s/ Bernard Landes
Bernard Landes
President

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.

Exhibit 32.2

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 June 30, 2011, 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: August 22, 2011

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.