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

FORM 10-Q

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **September 30, 2012.**

☐ 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 September 30, 2012, the issuer had outstanding the indicated number of shares of common stock: 457,207,313.

OXIS INTERNATIONAL, INC.
FORM 10-Q
For the Quarter Ended September 30, 2012

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PART I. FINANCIAL INFORMATION

Item 1. **Financial Statements.**

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of September 30, 2012 and December 31, 2011

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 61,000	$ 92,000
Inventories	—	12,000
Prepaid expenses	12,000	—
Total Current Assets	73,000	104,000
Patents, net	15,000	25,000
Total Other Assets	15,000	25,000
TOTAL ASSETS	$ 88,000	$ 129,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$ 858,000	$ 806,000
Accrued interest	1,225,000	1,598,000
Accrued expenses	1,049,000	607,000
Line of credit	26,000	25,000
Warrant liability	514,000	158,000
Demand notes payable, net of discount of $0 and $54,000	63,000	266,000
Convertible debentures, net of discount of $0 and $0, current portion	1,966,000	775,000
Convertible debentures	625,000	995,000
Total Current Liabilities	6,326,000	5,230,000
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 September 30, 2012 and December 31, 2011, respectively	1,000	1,000
Series H – 25,000 and 25,000 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	—	—
Series I – 1,666,667 and 1,666,667 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	2,000	2,000
Common stock - $0.001 par value; 600,000,000 shares authorized; 457,207,313 and 269,299,838 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	457,000	269,000
Additional paid-in capital	81,634,000	78,422,000
Accumulated deficit	(88,205,000)	(83,795,000)
Minority interest	(127,000)	—
Total Stockholders' Deficit	(6,238,000)	(5,101,000)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 88,000	$ 129,000

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 Nine Months Ended September 30, 2012 and 2011

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Product revenues	$ 120,000	$ 2,000	123,000	$ 23,000
License revenues	—	—	—	—
TOTAL REVENUE	120,000	2,000	123,000	23,000
Cost of Product Revenue	32,000	8,000	33,000	48,000
Gross profit (loss)	88,000	(6,000)	90,000	(25,000)
Operating Expenses:				
Research and development	—	—	—	49,000
Selling, general and administrative	1,438,000	535,000	2,865,000	2,806,000
Total operating expenses	1,438,000	535,000	2,865,000	2,855,000
Loss from Operations	(1,350,000)	(541,000)	(2,775,000)	(2,880,000)
Change in value of warrant and derivative liabilities	—	681,000	(358,000)	783,000
Interest expense/income	(65,000)	(117,000)	(1,305,000)	(465,000)
Total Other Income (Expense)	(65,000)	564,000	(1,663,000)	318,000
Loss before minority interest and provision for income taxes	(1,415,000)	23,000	(4,438,000)	—
Minority interest in subsidiary	15,000	—	28,000	—
Income (loss) before provision for income taxes	(1,400,000)	23,000	(4,410,000)	(2,562,000)
Provision for income taxes		—		—
Net gain (loss)	$ (1,400,000)	$ 23,000	$ (4,410,000)	$ (2,562,000)
Loss Per Share, basic and diluted	$ 0.00	$ 0.00	$ (0.01)	$ (0.01)
Weighted Average Shares Outstanding, basic and diluted	397,553,268	213,511,550	336,824,712	183,038,141

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

OXIS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Deficit
For the Nine Months Ended September 30, 2012 (unaudited) and
Year Ended December 31, 2011

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated
	Shares	Amount	Shares	Amount	Capital	Deficit
Balance, December 31, 2010	1,787,897	$ 3,000	149,571,976	$ 149,000	$ 74,474,000	$ (80,095,000)
Issuance of stock options					307,000	
Issuance of common stock for services			18,210,498	18,000	2,355,000	
Conversion of debt			77,734,000	78,000	1,286,000	
Exercise of warrants			23,783,364	24,000		
Net loss						(3,700,000)
Balance at December 31, 2011	1,787,897	$ 3,000	269,299,838	$ 269,000	$ 78,422,000	$ (83,795,000)
Issuance of stock options					699,000	
Conversion of debt			160,107,475	160,000	2,438,000	
Issuance of common stock for services			27,800,000	28,000	754,000	
Net loss						(4,410,000)
Balance at September 30, 2012	**1,787,897**	**$ $3,000**	**457,207,313**	**$ 457,000**	**$ 81,634,000**	**$ (88,205,000)**

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 Nine Months Ended September 30, 2012 and 2011

	Nine months Ended September 30, 2012 (unaudited)	2011 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,410,000)	$ (2,562,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	10,000	20,000
Stock compensation expense for options and warrants issued to employees and non-employees	699,000	126,000
Issuance of shares for services	782,000	1,597,000
Amortization of debt discounts	40,000	306,000
Change in value of warrant and derivative liabilities	356,000	(783,000)
Changes in operating assets and liabilities:		
Inventory	12,000	—
Other assets	(12,000)	(10,000)
Accounts payable and accrued expenses	1,750,000	667,000
Net cash used in operating activities	(773,000)	(639,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of options and warrants	—	14,000
Proceeds from notes payable	615,000	621,000
Repayment of note payable	—	(50,000)
Net cash provided by financing activities	615,000	585,000
Minority Interest	127,000	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,000)	(54,000)
CASH AND CASH EQUIVALENTS - Beginning of period	92,000	54,000
CASH AND CASH EQUIVALENTS - End of period	$ 61,000	$ —

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

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.

Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of $88,205,000 through September 30, 2012. On a consolidated basis, the Company had cash and cash equivalents of $61,000 at September 30, 2012. 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 26,384,193 and 2,066,491 shares of the Company’s common stock to employees and directors during the nine months ended September 30, 2012 and 2011, 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 2012: expected volatility of 116%; average risk-free interest rate of 1.04% to 2.04%; initial expected life of 5 to 10 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 $699,000 and $307,000 for the nine months ended September 30, 2012 and 2011, respectively.

Stock Based Compensation to Other than Employees

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with ASC 718. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably determinable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. The Company recognized no expense in share-based compensation for non-employees for the nine months ended September 30, 2012 and 2011, respectively.

Earnings Per Share

Basic earnings per share is computed by dividing the net income or loss for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the earnings for the period by the weighted average number of common shares outstanding during the period, plus the potential dilutive effect of common shares issuable upon exercise or conversion of outstanding stock options and warrants during the period. Since the Company incurred a net loss for the six months ended June 30, 2012 and 2011, all instruments convertible into shares of common stock are excluded from net diluted loss per share because of their anti-dilutive effect. Total potentially dilutive shares excluded from the calculation of earnings per share at September 30, 2012 totaled 538,285,943.

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 convertible securities 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 September 30, 2012.

Description	Level 1	Level 2	Level 3
Assets			
	$ —	$ —	$ —
Liabilities			
Warrant liability	—	514,000	—

Note 2 – Patents

	September 30, 2012	December 31, 2011
Capitalized patent costs	$ 640,000	$ 640,000
Accumulated amortization	(625,000)	(615,000)
	$ 15,000	$ 25,000

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 as of December 31, 2011 that may change according to the Company's amortization policy upon additional patents being issued or allowed:

2012	12,000
2013	4,000
2014	4,000
2015	4,000
2016	1,000

Note 3 – Debt

Convertible debentures

On October 25, 2006, the Company entered into a securities purchase agreement (“2006 Purchase Agreement”) with four accredited investors (the “2006 Purchasers”). In conjunction with the signing of the 2006 Purchase Agreement, the Company issued secured convertible debentures (“2006 Debentures”) and Series A, B, C, D, and E common stock warrants (“2006 Warrants”) to the 2006 Purchasers, and the parties also entered into a security agreement (the “2006 Security Agreement”) pursuant to which the Company agreed to grant the 2006 Purchasers, pari passu, a security interest in substantially all of the Company’s assets.

Pursuant to the terms of the 2006 Purchase Agreement, the Company issued the 2006 Debentures in an aggregate principal amount of $1,694,250 to the 2006 Purchasers. The 2006 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 2006 Debentures were due on October 25, 2008. The 2006 Debentures are convertible, at the option of the 2006 Purchasers, at any time prior to payment in full, into shares of common stock of the Company. As a result of the full ratchet anti-dilution provision the current conversion price is $0.01 per share (the "2006 Conversion Price"). Beginning on the first of the month beginning February 1, 2007, the Company was required to amortize the 2006 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 could have been paid in cash or in shares, subject to certain restrictions. If the Company chose to make any Monthly Redemption Amount payment in shares of common stock, the price per share would have been 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 did not make any of the required monthly redemption payments.

Pursuant to the provisions of the 2006 Debentures, such non-payment was an event of default and penalty interest has accrued on the unpaid redemption balance at an interest rate equal to the lower of 18% per annum and the maximum rate permitted by applicable law. In addition, each of the 2006 Purchasers has the right to accelerate the cash repayment of at least 130% of the outstanding principal amount of the 2006 Debenture (plus accrued but unpaid liquidated damages and interest) and to sell substantially all of the Company's assets pursuant to the provisions of the 2006 Security Agreement to satisfy any such unpaid balance. On June 6, 2008, the Company received notification from Bristol Investment Fund, Ltd ("Bristol"), that the collateral held under the 2006 Security Agreement would be sold to the highest qualified bidder on Thursday, June 19, 2008. 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 2006 Purchasers, purchased certain assets held as collateral under the 2006 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 2006 Debentures, plus fees and charges due through June 19, 2008, Bristol notified the Company that the Company remains obligated to the 2006 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.

Under the 2006 Purchase Agreement, the 2006 Purchasers also have a right of first refusal to participate in up to 100% of any future financing undertaken by the Company until the 2006 Debentures are no longer outstanding. In addition, the Company is also prohibited from effecting any subsequent financing involving a variable rate transaction until such time as no 2006 Purchaser holds any of the 2006 Debentures. Furthermore, so long as any 2006 Purchaser holds any of the securities issued under the 2006 Purchase Agreement, if the Company issues or sells any common stock or instruments convertible into common stock which a 2006 Purchaser reasonably believes is on terms more favorable to such investors than the terms pursuant to the 2006 Debentures or 2006 Warrants, the Company is obligated to permit such 2006 Purchaser the benefits of such better terms.

Of the 2006 Warrants issued by the Company to the 2006 Purchasers, only the Series A Warrants remain outstanding. The Series A Warrants, which now expire in October 2014, permit the holders to purchase 2,420,357 shares of common stock at an original exercise price of $0.35 per share. Such exercise price is adjustable pursuant to a full ratchet anti-dilution provision and upon the occurrence of a stock split or a related event.

During 2009, Bristol converted $177,900 of the principal amount of 2006 Debentures for 17,790,000 shares of the Company's common stock. During 2010, Bristol converted an additional $401,000 of the principal amount of 2006 Debentures for 40,100,000 shares of the Company's common stock. During 2011, an additional $605,000 of the principal amount of 2006 Debentures was converted into 60,500,000 shares of the Company's common stock. Of the $605,000 converted in 2011, $53,125 was converted into 5,312,500 shares of the Company's common stock during the first quarter of 2011. During the nine months ended September 30, 2012, an additional $372,000 of the principal amount of 2006 Debentures was converted into 37,200,000 shares of the Company's common stock.

The 2006 Debentures do not meet the definition of a "conventional convertible debt instrument" since they are 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 2006 Debentures are 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 2006 Debentures are 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 2006 Warrants issues in this transaction into common stock. Therefore, the 2006 Warrants have a fair value of $2,334,000 at October 25, 2006. The value of the 2006 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 2006 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 2006 Warrants at the inception of the 2006 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 2006 Debentures which will be amortized over the term of the 2006 Debenture and the excess of $1,674,000 has been shown as financing costs in the accompanying statement of operations.

At September 30, 2012 and December 31, 2011, the Company determined the fair value of the 2006 Warrants was $79,000 and $39,000, respectively.

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

- 0% Convertible Debentures in the principal amount of $2,000,000 due 24 months from the date of issuance (the " 2009 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 2009 Investor (the "2009 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 2009 Investor (the "2009 Class B Warrants") resulting in the issuance of Class B Warrants to purchase 20,000,000 shares of common stock of the Company.

The Class A Warrants and Class B Warrants (collectively, the " 2009 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 2009 Debentures and the 2009 Warrants are collectively referred to herein as the "2009 Securities".

In connection with the sale of the 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) the 2006 Debentures and (ii) certain 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 and discussed under the caption "Demand Notes" below. In connection with the sale of the 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 2006 Debentures and Bridge Notes.

The conversion price of the 2009 Debentures and the exercise price of the 2009 Warrants are subject to full ratchet anti-dilution adjustment in the event that the Company thereafter issues common stock or common stock equivalents at a price per share less than the conversion price or the exercise price, respectively, and to other normal and customary anti-dilution adjustment upon certain other events. So long as the 2009 Debentures are 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 2009 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.

The Company also agreed that if it determines 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 2009 Securities on such registration statement. The 2009 Investors have contractually agreed to restrict their ability to convert the 2009 Debentures and exercise the 2009 Warrants and receive shares of our common stock such that the number of shares of the Company common stock held by a 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, 2009 Investors converted $1,335,000 of the principal amount of 2009 Debentures for 26,700,000 shares of the Company's common stock. During 2011, 2009 Investors converted $610,000 of the principal amount of 2009 Debentures for 12,200,000 shares of the Company's common stock. Accordingly, at September 30, 2012, $55,000 in aggregate principal amount of 2009 Debentures remained outstanding. In addition, as of September 30, 2012, 14,900,000 of the 2009 Class A Warrants and 16,750,000 of the 2009 Class B Warrants remained outstanding.

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.

In November, 2011, the Company entered into a financing arrangement with several accredited investors (the "November 2011 Investors"), pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $275,000 (the "November 2011 Financing"). In connection with the November 2011 Financing, the Company issued the following securities to the November 2011 Investors:

- 8% Convertible Debentures in the principal amount of $275,000 due in two years, convertible into shares of the Company's common stock at a per share conversion price equal to $0.05 per share; and
- Warrants to purchase 5,500,000 of shares of the Company's common stock. 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.

In March, 2012, the Company entered into a financing arrangement with several accredited investors pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $617,500 (the "March 2012 Financing"). In connection with the March 2012 Financing, the Company issued the following securities to the investors:

- 8% Convertible Debentures in the principal amount of $617,500 due in two years, convertible into shares of the Company's common stock at a per share conversion price equal to $0.05 per share; and
- Warrants to purchase 12,350,000 of shares of the Company's common stock. The Class A Warrants and Class B Warrants (collectively, the " March 2012 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.

In April 2012, the Company agreed to an adjustment as negotiated to enable inducement of further financing of the Company. Pursuant to the anti-dilution provisions in the convertible instruments, the conversion price of certain convertible instruments is now $0.01 (with the exception of the conversion price of the October 2006 Debenture which is already priced at the lesser of $0.01 and 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion).

In May, 2012, the Company entered into a financing arrangement with several accredited investors pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $275,000 (the "May 2012 Financing"). In connection with the May 2012 Financing, the Company issued the following securities to the investors:

- 8% Convertible Debentures in the principal amount of $275,000 due May 2014, convertible into shares of the Company's common stock at a per share conversion price equal to $0.05 per share; and
- Warrants to purchase 5,500,000 of shares of the Company's common stock. The Class A Warrants and Class B Warrants (collectively, the " May 2012 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.

On August 8, 2012, a Settlement Agreement and Mutual General Release ("Agreement") was made by and between OXIS and Bristol Investment Fund, Ltd., in order to settle certain claims regarding certain convertible debentures held by Bristol.

Pursuant to the Agreement, OXIS shall pay Bristol (half of which payment would redound to Merit Capital Limited ("Merit")) a total of $1,119,778 as payment in full for the losses suffered and all costs incurred by Bristol in connection with the Transaction. Payment of such $1,119,778 shall be made as follows: OXIS shall issue restricted common stock to each of Bristol and Merit, in an amount such that each Bristol and Merit shall hold no more than 9.99% of the outstanding shares of OXIS (including any shares that each may hold as of the date of issuance). The shares so issued represent $417,475.65 of the $1,119,778 payment (27,831,710 shares at $0.015 per share, of which 9,168,750 will be retained by Bristol and 18,662,960 will be issued to Merit). The remaining balance of the payment shall be made in the form of two convertible promissory notes in the respective amounts of $422,357.75 for Bristol and $279,944.60 for Merit (collectively, the "Notes") with a maturity of December 1, 2017 having an 8% annual interest rate, with interest only accruing until January 1, 2013, and then level payments of $3,750 each beginning January 1, 2013 until paid in full on December 1, 2017. In the event a default in the monthly payments on the Notes has occurred and is continuing each holder of the Notes shall be permitted to convert the unpaid principal and interest of the Notes into shares of OXIS at $.01 cents per share. In the absence of such continuing default no conversion of the Notes will be permitted. OXIS will have the right to repay the Notes in full at any time without penalty.

Demand Notes

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 note has been converted into common stock of the Company.

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 “ 2009 Theorem Note”). The 2009 Theorem Note was subsequently sold as described below.

Simultaneously with the issuance of the 2009 Theorem Note, the Company issued Theorem a seven-year warrant (the “2009 Theorem Warrant”) to purchase 3,137,500 shares of common stock of the Company at a price equal to the lower 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”). The 2009 Theorem Warrant may be exercised on a cashless basis if the shares of common stock underlying the 2009 Theorem Warrant are not then registered pursuant to an effective registration statement. In the event the 2009 Theorem Warrant is exercised on a cashless basis, we will not receive any proceeds.

On December 1, 2009, Theorem sold the 2009 Theorem Note to Net Capital Partners, Inc. (“Net Capital”). In December 2009, Net Capital converted $24,000 of the principal for 2,400,000 shares of the Company’s common stock. In January 2010, Net Capital converted the remaining $7,375 of principal amount for an additional 737,500 shares of the Company’s common stock.

On February 7, 2011 the Company entered into a convertible demand promissory note with Bristol 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 “February 2011 Bristol Note”). The February 2011 Bristol Note is convertible into shares of common stock of the Company at a price equal to $0.05 per share.

Simultaneously with the issuance of the February 2011 Bristol Note, the Company issued Bristol a Series A Warrant (the “February 2011 Bristol Series A Warrants”) to purchase 313,750 shares of the Company’s common stock at a per share exercise price of $0.0625, and a Series B Warrant (the “February 2011 Bristol Series B Warrants” and, together with the February 2011 Bristol Series A Warrants, the “February 2011 Bristol Warrants”) to purchase 313,750 shares of the Company’s common stock at a per share exercise price of $0.075. The February 2011 Warrants are exercisable for up to seven years from the date of issue. The February 2011 Warrants may be exercised on a cashless basis if the shares of common stock underlying the February 2011 Warrants are not then registered pursuant to an effective registration statement. In the event the February 2011 Bristol Warrants are exercised on a cashless basis, the Company will not receive any proceeds.

On February 7, 2011 the Company entered into a convertible demand promissory note with Net Capital 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 “February 2011 Net Capital Note”). The February 2011 Net Capital Note is convertible into shares of common stock of the Company at a price equal to $0.05 per share. As of September, 2012, the February 2011 Net Capital Note had been converted into shares of the Company’s common stock.

Simultaneously with the issuance of the February 2011 Net Capital Note, the Company issued Net Capital a Series A Warrant (the “February 2011 Net Capital Series A Warrants”) to purchase 313,750 shares of the Company’s common stock at a per share exercise price of $0.0625, and a Series B Warrant (the “February 2011 Net Capital Series B Warrants” and, together with the February 2011 Net Capital Series A Warrants, the “February 2011 Net Capital Warrants”) to purchase 313,750 shares of the Company’s common stock at a per share exercise price of $0.075. The February 2011 Net Capital Warrants are exercisable for up to seven years from the date of issue. The February 2011 Net Capital Warrants may be exercised on a cashless basis if the shares of common stock underlying the February 2011 Net Capital Warrants are not then registered pursuant to an effective registration statement. In the event the February 2011 Net Capital Warrants are exercised on a cashless basis, the Company will not receive any proceeds.

On March 4, 2011 the Company entered into a convertible demand promissory note with Bristol 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 “March 2011 Bristol Note”). The March 2011 Bristol Note is 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 March 2011 Bristol Note, the Company issued Bristol a Series A Warrant (the "March 2011 Bristol Series A Warrants") to purchase 313,750 shares of the Company's common stock at a per share exercise price of $0.0625, and a Series B Warrant (the "March 2011 Bristol Series B Warrants" and, together with the March 2011 Bristol Series A Warrants, the "March 2011 Bristol Warrants") to purchase 313,750 shares of the Company's common stock at a per share exercise price of $0.075. The March 2011 Warrants are exercisable for up to seven years from the date of issue. The March 2011 Warrants may be exercised on a cashless basis if the shares of common stock underlying the March 2011 Warrants are not then registered pursuant to an effective registration statement. In the event the March 2011 Warrants are exercised on a cashless basis, the Company will not receive any proceeds.

On April 4, 2011 the Company entered into a convertible demand promissory note with Net Capital 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 "April 2011 Net Capital Note"). The April 2011 Net Capital Note is convertible into shares of common stock of the Company, at a price equal to $0.05 per share. As of September, 2012, April 2011 Net Capital Note had been converted into shares of the Company's common stock.

Simultaneously with the issuance of the Net Capital Note, the Company issued Net Capital a Series A Warrant (the "April 2011 Net Capital Series A Warrants") 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 (the "April 2011 Net Capital Series B Warrants" and, together with the April 2011 Net Capital Series A Warrants, the "April 2011 Net Capital Warrants") to purchase 313,750 shares of common stock of the Company at a per share exercise price of $0.075. The April 2011 Net Capital Warrants are exercisable for up to seven years from the date of issue. The April 2011 Net Capital Warrants may be exercised on a cashless basis if the shares of common stock underlying the April 2011 Net Capital Warrants are not then registered pursuant to an effective registration statement. In the event the April 2011 Net Capital Warrants are exercised on a cashless basis, we will not receive any proceeds.

On October 26, 2011 the Company entered into a convertible demand promissory note with Theorem pursuant to which Theorem purchased an aggregate principal amount of $200,000 of convertible demand promissory notes for an aggregate purchase price of $157,217 (the "October 2011 Theorem Note"). The October 2011 Theorem Note is convertible into shares of common stock of the Company, at a price equal to $0.05 per share. As of September, 2012, the October 2011 Theorem Capital Note had been converted into shares of the Company's common stock.

Simultaneously with the issuance of the October 2011 Theorem Note, the Company issued Theorem a Series A Warrant (the "October 2011 Series A Warrant") to purchase 10,000,000 shares of common stock of the Company at a per share exercise price of $0.0625, and a Series B Warrant (the "October 2011 Series B Warrants" and, together with the October 2011 Series A Warrants, the "October 2011 Warrants") to purchase 10,000,000 shares of common stock of the Company at a per share exercise price of $0.075. The October 2011 Warrants are exercisable for up to seven years from the date of issue. The October 2011 Warrants may be exercised on a cashless basis if the shares of common stock underlying the October 2011 Warrants are not then registered pursuant to an effective registration statement. In the event the October 2011 Warrants are exercised on a cashless basis, we will not receive any proceeds.

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

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.

Joint Ventures

In March 2011, the Company agreed to form a joint venture with engage:BDR, Inc., an on-line marketing company that offers both premium and placement-specific display marketing solutions and the ability to distribute campaigns through its own display platforms and channels. engage:BDR partners with most of comScore's top 1000 websites (globally) for the most advanced display marketing capabilities. Under the joint venture agreement, engage:BDR will 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.

In March 2012 the Company signed a term sheet with engage:BDR that further evidences its arrangement and that permits both parties to commence operations under the arrangement. The parties contemplate that the existing binding arrangement will be evidenced by a formal limited liability company agreement that the parties are preparing. The following is a summary of the principal provisions of our joint venture arrangement (the “Joint Venture”) with engage:BDR, Inc.:

A. The Company has agreed to grant the Joint Venture an exclusive license for the on-line marketing of products containing EGT™. The first product to be marketed and sold through the Joint Venture shall be Oxis’ ErgoFlex™ product, which product was successfully test marketed in mail offering in late 2010 and early 2011. Additional Oxis products designated by the Company will be offered by the Joint Venture. If both parties agree, third party products may also be offered through the Joint Venture. However, nothing in the Joint Venture is intended to prohibit the Company from marketing, distributing and selling ErgoFlex™ or any of its other current or future products by means other than through online sales.

B. Oxis and engage:BDR have agreed to make the following contributions to the Joint Venture:

(a) Oxis will contribute up to $240,000 during the first year following the formation of the Joint Venture. These funds will be provided if, when and as needed by the Joint Venture. OXIS’ cash capital contribution will be used (i) to purchase ErgoFlex and other products from Oxis, at OXIS’ cost, without any markup, (ii) to purchase website media inventory from engage:BDR, at engage:BDR’s cost, plus a 15% administrative mark-up, and (iii) to fund the Joint Venture’s other operating costs. engage:BDR has agreed to waive the 15% administrative mark-up through December 31, 2012.

(b) In addition to the cash, OXIS’ contribution to the Joint Venture includes the exclusive license for the on-line marketing of any products created by Oxis which utilize its proprietary EGT™.

(c) engage:BDR , at its own cost and expense, is designing, developing and providing to the Joint Venture, on a turnkey basis, all online product offering systems and technologies, including website layouts, landing pages, graphic designs, display advertising, rich media, in-banner and in-stream video development. During the initial start-up phase of the Joint Venture, engage:BDR will, at its own cost and expense, also manage all day-to-day online activities of the Joint Venture.

Cash from operations in excess of the amounts needed for its operations and for reasonable reserves, shall be distributed by the Joint Venture in the following order:

(a) First, to Oxis on a cumulative basis, an amount equal to the cash that OXIS contributed to the Joint Venture, and
(b) Thereafter, all excess net operating cash will be distributed 50.1% to Oxis and 49.9% to engage:BDR.

C. The administrative affairs of the Joint Venture shall be managed by a committee consisting of one representative of each Joint Venture member.

As additional consideration for engage:BDR entering into the Joint Venture and for contributing its services in designing, developing and implementing the advertising platform, at the time that the Joint Venture operating agreement is signed, OXIS will grant engage:BDR a two-year option to purchase Oxis securities. The option shall entitle engage:BDR to purchase the type of securities sold by us in a future $6,000,000 or more financing, on the same terms and conditions, and at the same price, as such securities are sold to third party investors in such financing. The number of such securities that engage:BDR may purchase upon the exercise of the option (determined by assuming all convertible securities are converted and all exercisable securities are exercised) shall be equal to 4.99% of the Company's common stock issued and outstanding on the date the Joint Venture agreement is signed. If the Company has not raised $6,000,000 by December 31, 2012, commencing on that date, engage:BDR will have a two-year right to purchase Oxis' common stock at a price equal to $.03. OXIS has also agreed to issue to engage:BDR a warrant to purchase up to 5,000,000 shares of its common stock if the Joint Venture, through engage:BDR efforts, attains certain revenue and profits targets. The warrant will have an exercise price of $.03 per share.

On June 29, 2011 the Company entered into a Joint Venture Agreement ("Joint Venture Agreement") with John E. Repine, M.D. ("Dr. Repine"), a member of the Company's advisory board. Under the terms of the Joint Venture Agreement, the Company formed a Delaware limited liability company, Ergo ARDS, LLC (the "ARDS Venture"), in which the Company holds a 60% membership interest and Dr. Repine holds a 40% membership interest. The ARDS Venture was formed to develop, acquire and market dietary supplements, cosmeceutical products, nutraceutical products, medical foods and pharmaceuticals using EGT™ for treating, diagnosing and preventing acute respiratory distress syndrome and other lung disorders (collectively "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 (the "Assigned IP") to the ARDS Venture. In consideration for the Assigned Interest, Dr. Repine was issued a 40% membership interest in the ARDS Venture.

Oxis will be responsible for supplying EGT™ to the ARDS Venture at no cost in connection with the ARDS Venture's animal studies. Oxis will also pay all patent prosecution and maintenance costs relating to the Assigned IP. The ARDS Venture is required to make payments to Dr. Repine upon the achievement of certain milestones by the ARDS Venture. Any future payments to Dr. Repine shall be made based on the achievement of following milestones with respect to products to be commercialized using the Assigned IP:

- The ARDS Venture 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

· The ARDS Venture 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 EGT™ in the field – 5% of annual gross sales by the ARDS Venture 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 the ARDS Venture will be assigned to the party that elected to proceed. In the event both parties agree to not proceed, the ARDS Venture will continue to hold the intellectual property. If the parties agree to proceed, Oxis will use its best efforts to raise $3 million for the ARDS Venture. Once the $3 million in funds have been successfully raised by Oxis, Oxis will no longer be responsible for paying the ARDS Venture's operating costs, including costs related to the ARDS Venture's intellectual property.

The ARDS Venture will be managed by Dr. Repine as Manager, who will also serve as the ARDS Venture's Chief Executive Officer and Treasurer. The ARDS Venture 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, the Company was authorized to issue a total of 150,000,000 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.

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

During the nine months ended September 30, 2012 and 2011, the Company issued a total of 160,107,475 and 61,831,683 shares of common stock, respectively for retirement of debt valued at $2,382,281 and $1,144,000, 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 September 30, 2012.

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 Stock then owned by the Stockholder. The foregoing exchange was effected pursuant to that certain Exchange Agreement, dated February 10, 2010, between the Company and the Stockholder (the “Exchange Agreement”).

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

- 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.

On November 8, 2010, Gemini Pharmaceuticals purchased 1,666,667 shares of the Company's Series I Preferred Stock, $.001 par value, at a price of $0.15 per share ($250,000).

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

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

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

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

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

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, 2011	16,078,979	$ 0.19
Granted	26,384,193	0.04
Forfeited	3,679,027	0.17
Exercised	—	—
Outstanding as of September 30, 2012	38,784,145	$ 0.08
Exercisable as of September 30, 2012	23,415,441	$ 0.08

Warrants

Following is a summary of the warrant activity:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding as of December 31, 2011	105,001,252	$ 0.06
Granted	462,300,546	0.01
Forfeited	52,500,000	0.01
Adjustments	(15,300,000)	0.01
Exercised	—	—
Outstanding as of September 30, 2012	499,501,798	$ 0.01

In April 2012, the Company agreed to an adjustment as negotiated to enable inducement of further financing of the Company. Pursuant to the anti-dilution provisions in the warrants, the exercise price of certain warrants is now $0.01, and the number of shares underlying the warrants has increased such that the number of shares underlying each warrant is equal to the aggregate exercise price in effect prior to the adjustment divided by the new exercise price of $0.01.

Note 6 –Advisory and Consulting Agreements Obligations

Advisory Agreements

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 vested and become exercisable in four equal quarterly installments beginning October 15, 2010.

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 vested 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 was granted on July 15, 2011.

Consulting Agreements

On January 1, 2011, we entered into a consulting agreement with Bristol Capital, LLC whereby Bristol will assist us 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, we issued 5,000,000 shares of our common stock. The term of the agreement is for six months unless terminated or extended in accordance with subsequent agreements between the parties.

On 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 six 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.

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in the Form 10-Q are forward-looking statements about what may happen in the future. Forward-looking statements include statements regarding our current beliefs, goals, and expectations about matters such as our expected financial position and operating results, our business strategy, and our financing plans. The forward-looking statements in the Form 10-Q are not based on historical facts, but rather reflect the current expectations of our management concerning future results and events. The forward-looking statements generally can be identified by the use of terms such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. We cannot guarantee that our forward-looking statements will turn out to be correct or that our beliefs and goals will not change. Our actual results could be very different from and worse than our expectations for various reasons. You should review carefully all information, including the discussion of risk factors under "Item 1A: Risk Factors" and "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K for the year ended December 31, 2011. Any forward-looking statements in the Form 10-Q are made only as of the date hereof and, except as may be required by law, we do not have any obligation to publicly update any forward-looking statements contained in this Form 10-Q to reflect subsequent events or circumstances.

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' focus is on the development and sale/licensing of products and/or proprietary formulations that can be classified generally into four main business sectors:

1. Dietary supplements, functional foods and functional beverages;
2. Personal care products, including skin care and cosmetic products;
3. Veterinary products for companion animals, livestock and performance animals such as race horses; and
4. Proprietary compounds that may be out-licensed to biotechnology and/or pharmaceutical companies.

Of late, our commercial operations have been focused on developing a line of dietary supplements containing EGT™. A limited release of a joint health product named "ErgoFlex™" in December 2010, by means of a long-form direct mail program, produced a very favorable response rate. In support of ErgoFlex™, we carried out a pilot human trial examining the effect of the product in reducing mild to moderate chronic joint pain and in improving compromised range of motion. The results of the trial were highly favorable and produced statistically significant improvements in both measures in one week. We currently intend to commercially release a number of additional EGT™ based products commencing in 2012, including, but not limited to, skin care products.

We are working on establishing several marketing channels to commercialize our planned products. Our primary marketing initiative consists of an on-line global sales program to be effected through a joint venture with engage:BDR, as described in further detail below in "Marketing, Sales and Distribution." Other marketing channels may include non-traditional, direct to consumer channel (i.e. multi-level-marketing (MLM), infomercials, and direct-mail) as well as traditional channels of mass retail and specialty retail. We plan to develop products internally and seek complementary acquisitions that may provide additional products, expand our customer base and/or add to our distribution capabilities.

Recent Developments

In April 2012, we agreed to an adjustment as negotiated through this time to enable inducement of further financing of the Company. Pursuant to the anti-dilution provisions in the convertible instruments and warrants, the conversion price of all convertible instruments is now $0.01 (with the exception of the conversion price of the October 2006 Debenture which is already priced at the lesser of $0.01 and 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion), and the exercise price of certain warrants is now $0.01, and the number of shares underlying the warrants has increased such that the number of shares underlying each warrant is equal to the aggregate exercise price in effect prior to the adjustment divided by the new exercise price of $0.01.

In May, 2012, the Company entered into a financing arrangement with several accredited investors pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $275,000 (the "May 2012 Financing"). In connection with the May 2012 Financing, the Company issued the following securities to the investors:

- 8% Convertible Debentures in the principal amount of $275,000 due May 2014, convertible into shares of the Company's common stock at a per share conversion price equal to $0.05 per share; and

- Warrants to purchase 5,500,000 of shares of the Company's common stock. The Class A Warrants and Class B Warrants (collectively, the " May 2012 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.

On August 8, 2012, a Settlement Agreement and Mutual General Release was made by and between OXIS and Bristol Investment Fund, Ltd., in order to settle certain claims regarding certain convertible debentures held by Bristol.

Pursuant to the Agreement, OXIS shall pay Bristol (half of which payment would redound to Merit Capital Limited ("Merit")) a total of $1,119,778 as payment in full for the losses suffered and all costs incurred by Bristol in connection with the Transaction. Payment of such $1,119,778 shall be made as follows: OXIS shall issue restricted common stock to each of Bristol and Merit, in an amount such that each Bristol and Merit shall hold no more than 9.99% of the outstanding shares of OXIS (including any shares that each may hold as of the date of issuance). The shares so issued represent $417,475.65 of the $1,119,778 payment (27,831,710 shares at $0.015 per share, of which 9,168,750 will be retained by Bristol and 18,662,960 will be issued to Merit). The remaining balance of the payment shall be made in the form of two convertible promissory notes in the respective amounts of $422,357.75 for Bristol and $279,944.60 for Merit (collectively, the "Notes") with a maturity of December 1, 2017 having an 8% annual interest rate, with interest only accruing until January 1, 2013, and then level payments of $3,750 each beginning January 1, 2013 until paid in full on December 1, 2017. In the event a default in the monthly payments on the Notes has occurred and is continuing each holder of the Notes shall be permitted to convert the unpaid principal and interest of the Notes into shares of OXIS at $.01 cents per share. In the absence of such continuing default no conversion of the Notes will be permitted. OXIS will have the right to repay the Notes in full at any time without penalty.

Results of Operations

Revenues/Cost of Product Revenues

In December 2010, we initiated a direct mail test market for ErgoFlex™, which generated $23,000 of revenues in fiscal 2011 (mostly in the first quarter of 2011). In July 2012 we launched our initial products Prograce and Reverge with our partners at Engage BDR. The following table presents the changes in revenues from 2011 to 2012:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Increase from 2011	2012	2011	Increase from 2011
Product revenues	$ 120,000	$ 2,000	$ 118,000	$ 123,000	$ 23,000	$ 120,000

Assuming that we are able to raise the capital needed, we plan to continue marketing our products in 2012 and anticipate revenues for 2012 to significantly increase compared to the prior year.

The following table presents the changes in cost of product revenues from 2011 to 2012:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Increase from 2010	2012	2011	Increase from 2011
Cost of product revenues	$ 32,000	$ 8,000	$ 24,000	$ 33,000	$ 48,000	$ (15,000)

During the nine months ended September 30, 2012, we purchased products for the launch of our new consumer products products Prograce and Reverge. The cost of products in 2011 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 nine months ended September 30, 2012, we incurred $0 in research and development expenses, compared to $49,000 in the nine months ended September 30, 2011. These expenditures were incurred in connection with the testing and obtaining certification for EGT™ related to the release of ErgoFlex™ and the launch of our new products Prograce and Reverge. 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 2011 to 2012:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	**2011**	**Increase from 2011**	**2012**	**2011**	**Increase from 2011**
Selling, general and administrative expenses	$ 1,438,000	$ 535,000	$ 903,000	$ 2,865,000	$ 2,806,000	$ 59,000

The increase in selling, general and administrative expenses for the nine months ended September 30, 2012 is primarily attributable to an increase in wages of $105,300 compared to $0 in 2011, to an increase in non cash stock compensation of $599,300. In fiscal 2011, we incurred non-cash stock compensation expense of $98,900 for services rendered. We also had a decrease in costs associated to a conference put on in fiscal 2011 of
$ 261,200, a decrease in investor relations expense of $ 57,600 and advertising expenses of $65,900, a decrease in legal fees of 43,000 as well as a decrease in marketing of $25,600, professional fees of 159,300.

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 $0 and $681,000 compared to $(358,000(and $783,000 for the three months and nine months ended September 30, 2012 and 2011, respectively.

Interest Expense

Interest expense was $65,000 and $1,305,000 compared to $117,000 and $465,000 for the three months and nine months ended September 30, 2012 and 2011, respectively. The increase is primarily due to the settlement of certain claims by Bristol in the amount of $1,120,000 (see Note 7).

Net Loss

We had a net (income) loss of $1,400,000 and $4,410,000, compared to $(23,000) and $633,000 for the three months and nine months ended September 30, 2012 and 2011, respectively. The net loss in the first nine months of 2012 was primarily the result of selling, general and administrative expenses of $2,865,000, interest expense of $1,305,000, and a change in value of warrant and derivative liabilities of $358,000. The net loss in the first nine months of 2011 was primarily the result of general and administrative expenses of $2,806,000 and interest expense of $465,000, which expenses were partially offset by a change in value of warrant and derivative liabilities of $783,000.

Liquidity and Capital Resources

On a consolidated basis, we had cash and cash equivalents of $61,000 at September 30, 2012. However, we also had $6,326,000 of current liabilities (of which $5,812,000 represented current cash obligations and $514,000 represented non-cash warrant liabilities). As a result, as of September 30, 2012, we had a working capital deficit of $6,148,000. In addition, we incurred a net loss of $4,410,000 for the nine months ended September 30, 2012, and have an accumulated deficit of $88,205,000 through September 30, 2012.

In November 2011, we received $275,000 from the sale of our 8% convertible debentures, which funds were used to position ourselves for the commercial release of a line of products. As of September 30, 2012, we have received an additional $614,000 of funding from selling additional 8% convertible debentures. In addition, our investors have indicated that they will purchase approximately $317,500 of additional 8% convertible debentures. These funds, including the remaining $111,000, were provided to us on the condition that these funds be used primarily for the commercial release and on-line sales of skin care products. The commercial release of our products through the engage:BDR joint venture commenced in July, 2012. As a result of the commitment to fund the remaining $111,000 balance of the $1,000,000 commitment for these on-line activities, we had sufficient funds to roll out our new product lines. However, our future liquidity and capital needs will thereafter depend on the revenues and profits, if any, that we receive from these new products and upon any additional funding that we may have to raise. Although we anticipate that we will generate significant revenues the 2012 fiscal year from the on-line sales of our products through engage:BDR, we are unable to predict the amount and timing of such sales. No assurance can be given that the revenues and profits generated through the engage:BDR joint venture will be significant or will be sufficient to fund our future working capital and other financial needs.

The sale of our 8% convertible debentures includes the issuance of warrants to purchase up to a total of 20,000,000 shares of our common stock if we sell the $1,000,000 we expect to sell. As of September 30, 2012, we have received $889,000 from the sale of our debentures and thus have issued warrants to purchase a total of 17,780,000 shares. Our 8% convertible debentures are convertible into shares of our common stock at a conversion price equal to $0.05 per share and mature in October 2013. The warrants consist of Class A Warrants and Class B Warrants that are exercisable for up to two 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.

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. (“Gemini”), 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. Advances will be made to us so long as the representations and warranties we made remain true at the time that we request an advance. All advances under this credit facility will bear interest equal to the prime rate plus two percent per annum, calculated based on 360-day year. This credit facility initially expired on October 13, 2011, but has been extended by Gemini. However, the credit facility currently may be terminated by Gemini at any time in its sole discretion. In consideration for this credit facility, we issued to Gemini a five-year warrant to 300,000 shares of our common stock at an exercise price of $0.12 per share, of which 150,000 shares are vested. An additional 75,000 shares will vest under the warrant if and when the credit line is increased to $500,000, and the remaining 75,000 will vest when the credit line is increased to $750,000. The warrants contain a cashless exercise provision.

We commenced on-line sales of ErgoFlex™, our first EGT™ product in July 2012. Based on internally prepared estimates, we believe that the on-line sales will generate certain operating revenues for us. However, the amount and timing of such revenues is unknown. In addition to funding the engage:BDR joint venture's initial capital requirements, we also will be incurring other costs, including the costs of developing, producing and marketing a new line of skin care products. Because our revenues from the sale of ErgoFlex and other products that we may release through the engage:BDR joint venture are uncertain, we may need additional capital in order to continue operations until, if ever, we are able to achieve positive operating cash flow. In addition, we will need capital in order to expand our operations and fund the increases in our administrative expenses that we expect will occur in 2012 if our business expands as anticipated. However, other than the Gemini inventory credit facility, we presently have no bank financing or other external sources of liquidity. There is no assurance that we will be successful in obtaining additional funding if, and when, we need such additional funding. We expect that we will try 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 planned level of operations and product releases, and we may have to curtail our operations or possibly even 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.

<u>Basis of Consolidation</u>

The consolidated financial statements contained in this report include the accounts of OXIS International, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated.

<u>Revenue Recognition</u>

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.

Derivative Financial Instruments

During the normal course of business, from time to time, we issue warrants as part of a debt or equity financing. We do not enter into any derivative contracts for speculative purposes. We recognize all derivatives as assets or liabilities measured at fair value with changes in fair value of derivatives reflected as current period income or loss unless the derivatives qualify for hedge accounting and are accounted for as such. During the nine months ended September 30, 2012 and 2011, we issued warrants to purchase 463,250,546 and 6,882,500 shares of common stock, respectively, in connection with equity transactions. In accordance with ASC Topic 815-40, "Derivatives and Hedging — Contracts in Entity's Own Stock" ("ASC 815-40"), the value of these warrants is required to be recorded as a liability, as the holders have an option to put the warrants back to us in certain events, as defined.

Inflation

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

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements as of September 30, 2012.

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

Our principal executive officer and principal financial officer evaluated the effectiveness of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934, as amended), as of September 30, 2012. Based on that evaluation we have concluded that our disclosure controls and procedures were not effective as of September 30, 2012.

Management's Report on Internal Control over Financial Reporting

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

As of September 30, 2012, management of the company conducted an assessment of the effectiveness of the company's internal control over financial reporting. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. In the course of the assessment, material weaknesses were identified in the company's internal control over financial reporting.

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

Management determined that fundamental elements of an effective control environment were missing or inadequate as of September 30, 2012. The most significant issues identified were: 1) lack of segregation of duties due to very small staff and significant reliance on outside consultants, and 2) risks of executive override also due to lack of established policies, and small employee staff. Based on the material weaknesses identified above, management has concluded that internal control over financial reporting was not effective as of September 30, 2012. As the company's operations increase, the company intends to hire additional employees in its accounting department.

Changes in Internal Control over Financial Reporting

Other than as described above, no changes in our internal control over financial reporting were made during our most recent fiscal quarter that has materially affected, or is 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, 2011.

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, 2011.

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

From January 1, 2012 through September 30, 2012, we issued 160,107,475 shares of common stock that were not registered under the Securities Act of 1933, as amended (the "Securities Act"), upon conversion of $2,166,031 of convertible debentures and demand notes and $216,250 of accrued interest payable.

In March, 2012, the Company entered into a financing arrangement with several accredited investors pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $617,500 (the "March 2012 Financing"). In connection with the March 2012 Financing, the Company issued the following securities to the investors:

- 8% Convertible Debentures in the principal amount of $617,500 due in two years, convertible into shares of the Company's common stock at a per share conversion price equal to $0.05 per share; and
- Warrants to purchase 12,350,000 of shares of the Company's common stock. The Class A Warrants and Class B Warrants (collectively, the " March 2012 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.

In May, 2012, the Company entered into a financing arrangement with several accredited investors pursuant to which it sold various securities in consideration of a maximum aggregate purchase price of $275,000 (the "May 2012 Financing"). In connection with the May 2012 Financing, the Company issued the following securities to the investors:

- 8% Convertible Debentures in the principal amount of $275,000 due May 2014, convertible into shares of the Company's common stock at a per share conversion price equal to $0.05 per share; and
- Warrants to purchase 5,500,000 of shares of the Company's common stock. The Class A Warrants and Class B Warrants (collectively, the " May 2012 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.

All of the foregoing were effected without registration under the Securities Act in reliance on the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, and/or Regulation D there under. The purchasers were accredited investors, no general solicitation 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, 2011.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

On August 8, 2012, a Settlement Agreement and Mutual General Release ("Agreement") was made by and between OXIS and Bristol Investment Fund, Ltd., in order to settle certain claims regarding certain convertible debentures held by Bristol.

Pursuant to the Agreement, OXIS shall pay Bristol (half of which payment would redound to Merit Capital Limited (“Merit”)) a total of $1,119,778 as payment in full for the losses suffered and all costs incurred by Bristol in connection with the Transaction. Payment of such $1,119,778 shall be made as follows: OXIS shall issue restricted common stock to each of Bristol and Merit, in an amount such that each Bristol and Merit shall hold no more than 9.99% of the outstanding shares of OXIS (including any shares that each may hold as of the date of issuance). The shares so issued represent $417,475.65 of the $1,119,778 payment (27,831,710 shares at $0.015 per share, of which 9,168,750 will be retained by Bristol and 18,662,960 will be issued to Merit). The remaining balance of the payment shall be made in the form of two convertible promissory notes in the respective amounts of $422,357.75 for Bristol and $279,944.60 for Merit (collectively, the “Notes”) with a maturity of December 1, 2017 having an 8% annual interest rate, with interest only accruing until January 1, 2013, and then level payments of $3,750 each beginning January 1, 2013 until paid in full on December 1, 2017. In the event a default in the monthly payments on the Notes has occurred and is continuing each holder of the Notes shall be permitted to convert the unpaid principal and interest of the Notes into shares of OXIS at $.01 cents per share. In the absence of such continuing default no conversion of the Notes will be permitted. OXIS will have the right to repay the Notes in full at any time without penalty.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer and Chief 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 and Chief Financial Officer).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Extension Presentation Linkbase

SIGNATURES

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

	OXIS International, Inc.	
November 21, 2012	By:	/s/ David Saloff David Saloff Chief Executive Officer (Principal Executive Officer)
November 21, 2012	By:	/s/ David Saloff David Saloff Acting Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, David Saloff, Chief Executive Officer and Acting Chief Financial Officer of OXIS International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OXIS International, Inc;

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

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

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Dated: November 21, 2012

By: /s/ David Saloff
David Saloff
Chief Executive Officer and Acting 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 September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), David Saloff, Chief Executive Officer and Acting Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: November 21, 2012

By: /s/ David Saloff
David Saloff
Chief Executive Officer and Acting 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.