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U. S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q/A

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 2016.

For the transition period from to .

Commission File Number 0-8092

OXIS INTERNATIONAL, INC.  
(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

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

100 South Ashley Drive, Suite 600  
Tampa, FL 33602  
(Address of principal executive offices and zip code)

(800) 304-9888  
(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 November 14, 2016, the issuer had outstanding the indicated number of shares of common stock: 30,241,305.

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## EXPLANATORY NOTE

GT Biopharma, Inc., formerly known as Oxis International, Inc, (the “**Company**”) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for its nine months ended September 30, 2016, as filed with the Securities and Exchange Commission on November 14, 2016 (the “**Original September 2016 Form 10-Q**”), primarily to correct an error related to the non-cash calculation of warranty liabilities.

**Actual Changes in the Original September 2016 Form 10-Q.** The actual changes in the Original September 2016 Form 10-Q included in this Amendment No. 1 are amendments to: **(a)** amended and restated Consolidated Statement of Operations for the nine months ended September 30, 2016, **(b)** amended and restated Consolidated Statement of Cash Flows for the nine months ended September 30, 2016, and **(c)** the addition of Note 7.

Notwithstanding that there are no changes in most of the Notes to the Consolidated Financial Statements included in this Amendment No. 1, a complete Form 10-Q document including a complete set of the Consolidated Financial Statements (together with all of the Notes from the Original September 2016 10-Q) has been included in this Amendment No. 1, for convenient reference.

In addition, see additional amended filings of the Company for relevant subsequent events.

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**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**FORM 10-Q**  
**For the Nine Ended September 30, 2016**  
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**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**As of September 30, 2016 and December 31, 2015**

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 154,000	\$ 47,000
Prepaid expenses	2,000	2,000
Total Current Assets	<u>156,000</u>	<u>49,000</u>
Fixed assets, net	<u>4,000</u>	<u>5,000</u>
Total Other Assets	<u>4,000</u>	<u>5,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 160,000</u>	<u>\$ 54,000</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities:		
Accounts payable	1,814,000	893,000
Accrued interest	3,480,000	2,391,000
Accrued expenses	597,000	4,326,000
Line of credit	31,000	31,000
Warrant liability	184,000	33,266,000
Settlement note payable	691,000	691,000
Demand notes payable	452,000	452,000
Convertible debentures, current portion, net of discount of \$1,596,000 and \$900,000	8,678,000	6,820,000
Convertible debentures	<u>1,039,000</u>	<u>1,039,000</u>
Total current liabilities	16,966,000	49,909,000
Long term liabilities:		
Convertible debt, net of discount of \$470,000 and \$2,536,000	400,000	714,000
Total long term liabilities	<u>400,000</u>	<u>714,000</u>
Total liabilities	<u>17,366,000</u>	<u>50,623,000</u>
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, 2016 and December 31, 2015, respectively	1,000	1,000
Series H - 25,000 and 25,000 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	-	-
Series I - 1,666,667 and 1,666,667 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	2,000	2,000
Common stock - \$0.001 par value; 150,000,000 shares authorized; 28,218,365 and 2,400,000 shares issued and outstanding at September 30, 2016 and December 31, 2015	28,000	2,000
Additional paid-in capital	104,752,000	84,012,000
Accumulated deficit	(121,820,000)	(134,417,000)
Noncontrolling interest	(169,000)	(169,000)
Total Stockholders' Deficit	<u>(17,206,000)</u>	<u>(50,569,000)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u>\$ 160,000</u>	<u>\$ 54,000</u>

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

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**For the Nine Months Ended September 30, 2016 and 2015**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016 (As restated)	2015
Product revenues	\$ -	\$ -	\$ -	\$ -
License revenue	-	-	-	27,000
Total revenue	-	-	-	27,000
Cost of product revenue	-	-	-	-
Gross profit	-	-	-	27,000
Operating expenses				
Research and development	250,000	225,000	725,000	475,000
Selling, general and administrative expenses	2,280,000	2,552,000	7,827,000	5,571,000
Total operating expenses	2,530,000	2,777,000	8,552,000	6,046,000
Loss from operations	(2,530,000)	(2,777,000)	(8,552,000)	(6,019,000)
Other income (expense)				
Change in value of warrant and derivative liabilities	436,000	2,809,000	25,930,000	20,683,000
Interest expense	(1,536,000)	(1,724,000)	(4,781,000)	(10,012,000)
Total other income (expense)	(1,100,000)	1,085,000	21,149,000	10,671,000
Income (loss) before minority interest and provision for income taxes	(3,630,000)	(1,692,000)	12,597,000	4,652,000
Plus: net (income) loss attributable to the noncontrolling interest	-	-	-	-
Income (loss) before provision for income taxes	(3,630,000)	(1,692,000)	12,597,000	4,652,000
Provision for income tax	-	-	-	-
Net income (loss)	(3,630,000)	(1,692,000)	12,597,000	4,652,000
Weighted average common shares outstanding – basis and diluted				
Basic	27,462,111	2,400,000	22,656,666	2,392,683
Diluted	27,462,111	2,400,000	22,656,666	4,764,753
Net income per share				
Basic	\$ 0.13	\$ 0.71	\$ 0.56	\$ 1.94
Diluted	\$ 0.13	\$ 0.71	\$ 0.56	\$ 0.98

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, 2016 and 2015**

	Nine months Ended September 30,	
	2016 (unaudited)	2015 (unaudited)
	(As restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 12,597,000	\$ 4,652,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	1,000	1,000
Amortization of intangible assets	-	-
Stock compensation expense for options and warrants issued to employees and non-employees	5,812,000	1,820,000
Non-cash interest expense	1,697,000	7,717,000
Amortization of debt discounts	1,625,000	1,732,000
Change in value of warrant and derivative liabilities	(25,930,000)	(20,683,000)
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Other assets	-	25,000
Accounts payable and accrued expenses	2,403,000	1,023,000
Net cash used in operating activities	(1,795,000)	(3,713,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of note payable	-	-
Proceeds of notes payable	1,902,000	2,900,000
Net cash provided by financing activities	1,902,000	2,900,000
Minority interest	-	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	107,000	(813,000)
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	47,000	855,000
<b>CASH AND CASH EQUIVALENTS - End of period</b>	\$ 154,000	\$ 42,000

*Supplemental Disclosures*

Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

*Supplemental non-cash activities:*

Common stock issued upon conversion of convertible notes	\$ 1,794,000	\$ -
Common stock issued upon conversion of accrued interest and penalty	\$ 346,000	\$ 247,000

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

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

**1. The Company and Summary of Significant Accounting Policies**

OXIS International, Inc. (collectively, "OXIS" or the "Company") is engaged in discovering, developing and commercializing novel therapeutics from our proprietary product platform in a broad range of disease areas. Currently, OXIS develops innovative drugs focused on the treatment of cancer. OXIS' lead drug candidate, OXS-2175, is a small molecule therapeutic candidate targeting the treatment of triple-negative breast cancer. In *in vitro* and *in vivo* models of TNBC, OXS-2175 demonstrated the ability to inhibit metastasis. OXIS' lead drug candidate, OXS-4235, also a small molecule therapeutic candidate, targets the treatment of multiple myeloma and associated osteolytic lesions. In *in vitro* and *in vivo* models of multiple myeloma, OXS-4235 demonstrated the ability to kill multiple myeloma cells, and decrease osteolytic lesions in bone. OXIS' lead drug candidate, OXS-1550, is a bispecific scFv recombinant fusion protein-drug conjugate composed of the variable regions of the heavy and light chains of anti-CD19 and anti-CD22 antibodies and a modified form of diphtheria toxin as its cytotoxic drug payload. OXS-1550 has demonstrated success in early human clinical trials in patients with relapsed/refractory B-cell lymphoma or leukemia.

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.

*Basis of Presentation*

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and disclosures required by U.S. GAAP for complete consolidated financial statements have been condensed or omitted herein. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2015. The unaudited interim condensed consolidated financial information presented herein reflects all normal adjustments that are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The Company is responsible for the unaudited interim consolidated financial statements included in this report. The results of operations of any interim period are not necessarily indicative of the results for the full year.

*Going Concern*

As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of \$121,820,000 through September 30, 2016. On a consolidated basis, the Company had cash and cash equivalents of \$154,000 at September 30, 2016. 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. 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.

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

*Basis of Consolidation and Comprehensive Income*

The accompanying consolidated financial statements include the accounts of OXIS International, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated. The Company's financial statements are prepared using the accrual method of accounting.

*Cash and Cash Equivalents*

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

*Concentrations of Credit Risk*

The Company's cash and cash equivalents, marketable securities and accounts receivable are monitored for exposure to concentrations of credit risk. The Company maintains substantially all of its cash balances in a limited number of financial institutions. The balances are each insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company does not have balances in excess of this limit at September 30, 2016.

*Fair Value of Financial Instruments*

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

*Stock Based Compensation to 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.

*Impairment of Long Lived Assets*

The Company's long-lived assets currently consist of capitalized patents. The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any of the Company's long-lived assets are considered to be impaired, the amount of impairment to be recognized is equal to the excess of the carrying amount of the assets over the fair value of the assets.

*Income Taxes*

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



**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

*Net Income (Loss) per Share*

Basic net income (loss) per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period, plus the potential dilutive effect of common shares issuable upon exercise or conversion of outstanding stock options and warrants during the period. The weighted average number of potentially dilutive common shares excluded from the calculation of net income (loss) per share totaled in 38,410,084 and 2,039,480 as of September 30, 2016 and 2015, respectively.

*Patents*

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

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

*Fixed Assets*

Fixed assets are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which are 3 to 10 years for machinery and equipment and the shorter of the lease term or estimated economic life for leasehold improvements.

*Fair Value*

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 liabilities arising from the issuance of convertible securities and in accordance with ASC 815-40: a warrant liability for detachable warrants, as well as an accrued derivative liability for the beneficial conversion feature. These liabilities are remeasured each reporting period. 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.

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

The following table represents the Company's assets and liabilities by level measured at fair value on a recurring basis at September 30, 2016.

Description	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>			
	\$ —	\$ —	\$ —
<b>Liabilities</b>			
Warrant liability	—	184,000	—

*Research and Development*

Research and development costs are expensed as incurred and reported as research and development expense. Research and development costs totaling \$725,000 and \$475,000 for the nine months ended September 30, 2016 and 2015, respectively.

*Revenue Recognition*

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.

*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.

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

**2. 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 \$2.50 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.

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

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 July 2019, permit the holders to purchase 9,681 shares of common stock at an original exercise price of \$87.50 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 71,160 shares of the Company's common stock. During 2010, Bristol converted an additional \$401,000 of the principal amount of 2006 Debentures for 160,400 shares of the Company's common stock. During 2011, an additional \$605,000 of the principal amount of 2006 Debentures was converted into 242,000 shares of the Company's common stock. During 2012, an additional \$369,625 of the principal amount of 2006 Debentures was converted into 350,619 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 was amortized over the term of the 2006 Debenture and the excess of \$1,674,000 was shown as financing costs in statement of operations.

The Company and Bristol entered into a Forbearance Agreement on December 3, 2015, pursuant to which Bristol agreed to refrain and forbear from exercising certain rights and remedies with respect to the 2006 Debentures for three months. In exchange for the Forbearance Agreement, the Company issued an allonge in the amount of \$250,000 increasing the principal amount if the 2006 Debentures.

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 \$12.50 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 80,000 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 80,000 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 \$15.625 and \$18.75 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".

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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 106,800 shares of the Company's common stock. During 2011, 2009 Investors converted \$610,000 of the principal amount of 2009 Debentures for 48,800 shares of the Company's common stock.

The Company entered into a Forbearance Agreement on December 3, 2015, pursuant to which the remaining 2009 Debenture holder agreed to refrain and forbear from exercising certain rights and remedies with respect the 2009 Debentures for three months. In exchange for the Forbearance Agreement, the Company issued an allonge in the amount of \$250,000 increasing the principal amount of the 2009 Debentures to \$305,000 as of March 31, 2016.

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 \$25.00 per share; and
- Warrants to purchase 20,000 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 \$37.50. During 2015, the exercise price was adjusted to \$1.25 and the exercise date was extended to June 2019.

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 \$12.50 per share; and
- Warrants to purchase 22,000 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 \$15.625 and \$18.75 for the Class A Warrants and the Class B Warrants, respectively, on a cash or cashless basis.

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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 \$12.50 per share; and
- Warrants to purchase 49,400 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 \$15.625 and \$18.75 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 \$2.50 (with the exception of the conversion price of the October 2006 Debenture which is already priced at the lesser of \$2.50 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 \$12.50 per share; and
- Warrants to purchase 22,000 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 \$15.625 and \$18.75 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 Theorem Capital LLC ("Theorem")) 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 Theorem 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 (111,327 shares at \$3.75 per share, of which 36,675 will be retained by Bristol and 74,652 will be issued to Theorem). 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 Theorem (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 \$2.50 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.

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Effective April, 2013 the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures with an initial principal balance of \$75,000.

In October and November, 2013, the Company entered into a securities purchase agreement with four accredited investors to sell 10% convertible debentures with an initial principal balance of \$172,000 and warrants to acquire up to 98,286 shares of the Company's common stock at an exercise price of \$2.50 per share.

In December, 2013, the Company entered into a convertible demand promissory note with an initial principal balance of \$189,662 convertible at \$1.75 per share and warrants to acquire up to 108,378 shares of the Company's common stock at an exercise price of \$2.50 per share.

In January, 2014, the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures with an initial principal balance of \$50,000 and warrants to acquire up to 28,571 shares of the Company's common stock at an exercise price of \$2.50 per share.

In April, 2014, the Company entered into a securities purchase agreement with three accredited investors to sell 10% convertible debentures with an initial principal balance of \$49,000 and warrants to acquire up to 22,286 shares of the Company's common stock at an exercise price of \$2.50 per share.

In July 2014, 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 \$1.75 (with the exception of the conversion price of the October 2006 Debenture which is already priced at the lesser of \$1.75 and 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion).

On July 24, 2014, the Company entered into a securities purchase agreement with ten accredited investors to sell 10% convertible debentures, with an exercise price of \$1.75, with an initial principal balance of \$1,250,000 and warrants to acquire up to 714,286 shares of the Company's common stock at an exercise price of \$2.50 per share.

Also on July 24, 2014, the Company sold to Kenneth Eaton, the Company's Chief Executive Officer, a \$175,000 debenture, with an exercise price of \$1.75, as payment in full for all accrued and unpaid salary and fees owed to Mr. Eaton. This note was converted on the second quarter of 2016.

On October 15, 2014, the Company entered into a securities purchase agreement with three accredited investors to sell 10% convertible debentures, with an exercise price of \$2.50, with an initial principal balance of \$1,250,000 and warrants to acquire up to 400,000 shares of the Company's common stock at an exercise price of \$5.00 per share.

On February 23, 2015, the Company entered into a securities purchase agreement with ten accredited investors to sell 10% convertible debentures, with an exercise price of \$6.25, with an initial principal balance of \$2,350,000 and warrants to acquire up to 376,000 shares of the Company's common stock at an exercise price of \$7.50 per share.

Effective July 2015, the Company entered into a securities purchase agreement with three accredited investors to sell 10% convertible debentures, with an exercise price of \$5.00, with an initial principal balance of \$550,000 and warrants to acquire up to 111,765 shares of the Company's common stock at an exercise price of \$6.25 per share.

Effective October 2015, the Company entered into a securities purchase agreement with three accredited investors to sell 10% convertible debentures, with an exercise price of \$2.50, with an initial principal balance of \$500,000 and warrants to acquire up to 200,000 shares of the Company's common stock at an exercise price of \$2.50 per share.

Effective November 2015, the Company entered into a securities purchase agreement with two accredited investors to sell 10% convertible debentures, with an exercise price of \$2.50, with an initial principal balance of \$100,000 and warrants to acquire up to 80,000 shares of the Company's common stock at an exercise price of \$2.50 per share.

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Effective December 2015, the Company entered into a securities purchase agreement with two accredited investors to sell 10% convertible debentures, with an exercise price of \$1.25, with an initial principal balance of \$350,000 and warrants to acquire up to 280,000 shares of the Company's common stock at an exercise price of \$1.25 per share.

In December 2015, the Company agreed to an adjustment as negotiated to enable inducement of further financing of the Company. Pursuant to the anti-dilution provisions in all the convertible instruments, the conversion price of certain convertible instruments is now \$1.25 (with the exception of the conversion price of the October 2006 Debenture which is already priced at the lesser of \$1.25 and 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion).

In January 2016, the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures, with an exercise price of \$1.25, with an initial principal balance of \$150,000 and warrants to acquire up to 80,000 shares of the Company's common stock at an exercise price of \$1.25 per share.

In May 2016, the Company agreed to an adjustment as negotiated to enable inducement of further financing of the Company. Pursuant to the anti-dilution provisions in all the convertible instruments, the conversion price of certain convertible instruments is now \$0.40 (with the exception of the conversion price of the October 2006 Debenture which is already priced at the lesser of \$0.40 and 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion).

In May 2016, the Company entered into a securities purchase agreement with twenty accredited investors to sell 10% convertible debentures, with an exercise price of \$0.40, with an initial principal balance of \$1,390,044 and warrants to acquire up to 3,475,111 shares of the Company's common stock at an exercise price of \$0.45 per share.

In July 2016, the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures, with an exercise price of \$0.40, with an initial principal balance of \$112,135 and warrants to acquire up to 280,338 shares of the Company's common stock at an exercise price of \$0.45 per share.

In August 2016, the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures up to \$1,000,000, with an exercise price of \$0.40, with an initial principal balance of \$250,000 and warrants to acquire up to 2,500,000 shares of the Company's common stock at an exercise price of \$0.45 per share.

***Allonges***

On August 18, 2015, the Company entered into a settlement agreement with three noteholders. In accordance with the July 24, 2014 Security Purchase Agreements, The Company was required to establish and maintain a reserve of shares of its common stock from its duly authorized shares of Common Stock for issuance in an amount equal to 150% of a required minimum by December 21, 2014 which did not occur. As compensation for the default, the Company issued allonges to the noteholders for a total of \$837,500, increasing the principal amount of the convertible notes.

On October 7, 2015, the Company entered into a settlement agreement with two noteholders. In accordance with the July 24, 2014 Security Purchase Agreements, The Company was required to establish and maintain a reserve of shares of its common stock from its duly authorized shares of Common Stock for issuance in an amount equal to 150% of a required minimum by December 21, 2014 which did not occur. As compensation for the default, the Company issued allonges to the noteholders for a total of \$537,500, increasing the principal amount of the convertible notes.

On November 5, 2015, the Company entered into a Second Settlement Agreement with three noteholders. On August 18, 2015 the Company entered into a Settlement Agreement that required the Company to increase its authorized shares to not less 8,000,000 shares and reserve 150% of the number of shares of its Common Stock no later than the earlier of (1) two days after Oxis obtaining all corporate and regulatory approvals necessary to increase its authorized shares; or (2) September 30, 2015 which did not occur. As compensation for the default, the Company issued additional allonges to the noteholders for a total of \$837,500, increasing the principal amount of the convertible notes.



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On Dec 5, 2015, the Company entered into a Second Settlement Agreement with three noteholders. On October 7, 2015 the Company entered into a Settlement Agreement that required the Company to increase its authorized shares to not less than 8,000,000 shares and reserve 150% of the number of shares of its Common Stock no later than the earlier of (1) two days after Oxis obtaining all corporate and regulatory approvals necessary to increase its authorized shares; or (2) September 30, 2015 which did not occur. As compensation for the default, the Company issued additional allonges to the noteholders for a total of \$537,500, increasing the principal amount of the convertible notes.

On July 15, 2015, the Company entered into a settlement agreement with one noteholder. In accordance with a 10% Convertible Debenture Due July 24, 2016, The Company was required pay accrued interest in case upon a conversion of the debt within three business days for the conversion which did not occur. As compensation for the default, the Company issued allonges to the noteholders for a total of \$40,000, increasing the principal amount of the convertible notes.

*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 12,550 shares of common stock of the Company at a price equal to the lower of (i) \$2.50 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 9,600 shares of the Company's common stock. In January 2010, Net Capital converted the remaining \$7,375 of principal amount for an additional 2,950 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 \$12.50 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 1,255 shares of the Company's common stock at a per share exercise price of \$15.625, 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 1,255 shares of the Company's common stock at a per share exercise price of \$18.75. 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.

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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 \$12.50 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 1,255 shares of the Company's common stock at a per share exercise price of \$15.625, 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 1,255 shares of the Company's common stock at a per share exercise price of \$18.75. 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 \$12.50.

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 1,255 shares of the Company's common stock at a per share exercise price of \$15.625, 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 1,255 shares of the Company's common stock at a per share exercise price of \$18.75. 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 \$12.50 per share. As of September, 2012, the 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 1,255 shares of common stock of the Company at a per share exercise price of \$15.625, 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 1,255 shares of common stock of the Company at a per share exercise price of \$18.75. 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.

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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 \$12.50 per share.

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 40,000 shares of common stock of the Company at a per share exercise price of \$15.625, 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 40,000 shares of common stock of the Company at a per share exercise price of \$18.75. 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.

On December 7, 2012, the Company entered into, and made its initial \$315,000 borrowing under, a short-term loan agreement with two lenders pursuant to which it is permitted to borrow up to an aggregate of \$350,000. The loans made under the loan agreement are evidenced by the Company's notes and secured pursuant to a Security Agreement, that is junior to the Company's existing security arrangements under the Company's October 26, 2006 Debentures but cover the same assets of the Company.

Interest on the Notes is at the rate of 18% per annum, payable on the first day of each month until maturity on May 1, 2013. On April 1, 2013, the Company was required to pay 25.7143% of the Loan, with the remaining balance due on May 1, 2013.

The full principal amount of the Loans may be due upon default under the terms of the Loan Agreement, the Notes or the Security Agreement.

Under the Loan Agreement, the Company is required to issue 266.67 shares of its common stock for each \$1,000 of Loans made. Accordingly, on December 7, 2012, the Company issued 84,000 shares of its common stock. Assuming the entire amounts of Loans permitted under the Loan Agreement are borrowed, the Company will issue 93,334 shares in connection with the Loan Agreement.

In March 2013, the Company entered into, and made an additional \$35,000 borrowing under, a short-term loan agreement with two lenders the Company entered into in December 2012, pursuant to which it is permitted to borrow up to an aggregate of \$350,000. The loans made under the loan agreement are evidenced by the Company's notes and secured pursuant to a Security Agreement, that is junior to the Company's existing security arrangements under the Company's October 26, 2006 Debentures but cover the same assets of the Company.

*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 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. There is \$31,000 due on this credit line at September 30, 2016.

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**3. Stockholders' Equity**

*Common Stock*

In January 2015, the Company agreed to issue 39,657 shares of common stock as a price protection to a note holder that originally converted notes at a price of \$2.50 and continues to hold these shares. These additional shares would have been issued if the conversion shares price was \$1.75. As of December 31, 2015, 33,142 shares of common stock have been issued and \$247,000 of interest expense was recorded for this issuance. During January 2016 the remaining 6,515 share were issued and \$20,000 of interest expense was recorded.

During the nine months ending September 30, 2016, the Company issued an aggregate of 12,580,183 shares of common stock to a total of 34 persons or entities in exchange of the cancellation of warrants on a cashless basis. The shares issued were exempt from the registration requirements of Section 5 of the Securities Act of 1933 (the "Act") pursuant to Section 4(2) of the Act since the shares were issued to persons or entities closely associated with the Company and there was no public offering of the shares.

During the nine months ending September 30, 2016, the Company also issued an aggregate of 2,022,230 shares of common stock to a total of 17 persons as payment for consulting services provided to the Company. The average valuation of these shares was \$2.00 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

During the nine months ending September 30, 2016, the Company also issued an aggregate of 4,612,341 shares of common stock to two executive officers of the Company in fulfilment of contractual rights held by the officers pursuant to their employment agreements. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

During the nine months ending September 30, 2016, the Company also issued an aggregate of 5,503,551 shares of common stock to a total of 18 persons as payment for the conversion of certain note and the related accrued interest. The conversion price of these shares was \$0.40 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In August 2016, the Company issued 1,115,000 shares of common stock to H.C. Wainwright and Co., LLC as payment for investment banking services provided to the Company.

*Preferred Stock*

On January 8, 2016 the Company entered into an Exchange Agreement with certain investors together holding 25,000 shares of Series H Preferred Stock and 1,666,667 shares of Series I Preferred Stock have agreed to convert all such shares of Preferred Stock into an aggregate of 4,075,000 shares of Common Stock upon successful completion by the Company of a \$6 million financing.

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

**4. Stock Options and Warrants**

*Stock Options*

Following is a summary of the stock option activity:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Outstanding as of December 31, 2015	374,800	\$ 4.88
Granted	-	-
Forfeited	20	\$ 67.5
Exercised	-	-
Outstanding as of September 30, 2016	<u>374,780</u>	<u>\$ 4.88</u>

*Warrants*

Following is a summary of the warrant activity:

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price</b>
Outstanding as of December 31, 2015	12,525,721	\$ 1.25
Granted	5,101,500	0.45
Forfeited	(339,932)	1.25
Exercised	(12,610,183)	1.25
Outstanding as of September 30, 2016	<u>4,677,106</u>	<u>\$ 0.45</u>

**6. Subsequent Events**

In October 2016 the Company issued an aggregate of 453,431 shares of common stock to one noteholder as payment for the conversion of certain accrued interest. The conversion price of these shares was \$0.40 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In October 2016 the Company issued an aggregate of 594,530 shares of common stock to one noteholder as payment for the conversion of a certain note. The conversion price of these shares was \$0.0841 per share based on 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In November 2016 the Company issued an aggregate of 975,039 shares of common stock to one noteholder as payment for the conversion of a certain note. The conversion price of these shares was \$0.0513 per share based on 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

**OXIS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
**(UNAUDITED)**

**7. Restatement**

The Company's management determined that the Company needs to make adjustments to correct errors identified in the previously issued financial statements related to the non-cash calculation of warranty liabilities. The error affects the periods ending December 31, 2015, March 31, 2016, June 30, 2016, September 30, 2016 and December 31, 2016 financial statements.

As a result of the error, the Company will recognize a decrease in the Change in Warrant Liability by \$11,265,000 through December 31, 2016.

This change had no net effect on the balance sheet and cash flows from operations, investing or financing.

The following table presents the impact of the restatement adjustment on the Company's Consolidated Statement of Operations for the nine months ended September 30, 2016.

Liabilities and Stockholders:	As previously reported	Effects of restatement/ reclassification	Restated
Change in value of warrants and derivative liabilities	\$ 37,195,000	\$ 25,930,000	\$(11,265,000)
Net Income	\$ 23,862,000	\$ 12,597,000	\$(11,265,000)
Income per share – basic	\$ 1.05	\$ 0.56	\$ (0.46)
Income per share –diluted	\$ 1.05	\$ 0.56	\$ (0.46)

## **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, 2015. 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 International, Inc., through its wholly owned subsidiary Oxis Biotech, Inc, is an immuno-oncology company with a robust technology platform consisting of bispecific and trispecific scFv constructs, full-length antibodies, proprietary drug payloads, proprietary antibody-drug linkers, dual-drug payload antibody-drug conjugates (ADCs), bispecific targeted ADCs, and NK cell and T-cell antibody directed cell-mediated cytotoxic (ADDCs) agents.

#### **OXS-1550**

OXS-1550 is a bispecific scFv recombinant fusion protein-drug conjugate composed of the variable regions of the heavy and light chains of anti-CD19 and anti-CD22 antibodies and a modified form of diphtheria toxin as its cytotoxic drug payload. CD19 is a membrane glycoprotein present on the surface of all stages of B-lymphocyte development, and is also expressed on most B-cell mature lymphoma cells and leukemia cells. CD22 is a glycoprotein expressed on B-lineage lymphoid precursors, including precursor acute lymphoblastic leukemia, and often is co-expressed with CD19 on mature B-cell malignancies such as lymphoma.

OXS-1550 targets cancer cells expressing the CD19 receptor or CD22 receptor or both receptors. When OXS-1550 binds to cancer cells, the cancer cells internalize OXS-1550, and are killed due to the action of drug's cytotoxic diphtheria toxin payload. OXS-1550 has demonstrated success in a Phase 1 human clinical trial in patients with relapsed/refractory B-cell lymphoma or leukemia.

Oxis began enrolling patients in a Phase 1/Phase 2 trial of OXS-1550 during the second quarter of 2016. The FDA-approved clinical trial is being conducted at the University of Minnesota's Masonic Cancer Center. There are currently 32 patients who have participated in the clinical trial. The nine new patients bring to 32 the number of patients who have participated in the clinical trial. All the new patients are given an approved increased dosage of OXS-1550.

### **Trispecific Killer Engager (TriKE) Technology**

The TriKE platform is designed to address the issue of making NK cells antigen specific by modifying a bispecific antibody platform and adding a third signal by inserting a modified IL-15 cross linker. IL-15 is known as a chief activator of NK cells that can enhance an anti-cancer immune response. This new trispecific platform is unique because it simultaneously delivers a priming, expansion, killing, and activating signal directly to the immune cell as it is in contact with the cancer cell. We are now working currently working toward FDA approved clinical trials to demonstrate TriKE safety and efficacy. Unlike standard anti-cancer antibodies, we believe that TriKE can mediate specificity and deliver an immune expansion signal locally (instead of systemically) which has the potential to diminish toxicity.

### **OXS-4235, p62/SQSTM1 (Sequestosome-1) Inhibitor Drug Development Program**

In humans, the p62/SQSTM1 protein is encoded by the SQSTM1 gene. The p62/SQSTM1 protein is a multifunctional protein involved in autophagy, cell signaling, tumorigenesis, and plays an important role at the crossroad between autophagy and cancer. Cell-cell interactions between multiple myeloma cells and bone marrow stromal cells activate signaling pathways that result in enhanced multiple myeloma cell growth, osteoclast formation, and inhibition of osteoblast differentiation.

Multiple myeloma remains an incurable malignancy with systematic morbidity and a median survival of 3-5 years. Multiple myeloma is characterized by aberrant proliferation of terminally differentiated plasma cells and impairment in apoptosis capacity. Due to the interactions between myeloma cells and cells of the bone marrow microenvironment, the osteolytic bone disease associated with myeloma is inextricably linked with tumor progression. High incidence of bone metastasis in multiple myeloma patients is frequently associated with severe bone pain and pathological bone fracture. Activated osteoclast levels and suppressed osteoblast levels are thought to play a role in multiple myeloma associated osteolytic bone disease.

While a diverse spectrum of novel agents has shown therapeutic potential for the treatment of multiple myeloma including bortezomib, lenalidomide and arsenic trioxide, high relapse rates and drug resistance continue to plague these therapies. Thus, novel targets and new therapeutics for the treatment of multiple myeloma are of critical importance for improved patient outcomes.

It has been demonstrated that the ZZ domain of the p62/SQSTM1 protein is responsible for increased multiple myeloma cell growth and associated osteoclast mediated bone disease. Dr. Xiang-Qun Xie and colleagues at ID4 Pharma LLC have developed novel chemical compounds (e.g., OXS-4235) which inhibit osteoclastic bone destruction in multiple myeloma. Oxis Biotech has exclusively licensed rights to OXS-4235 and other compounds for the treatment of multiple myeloma and associated osteolytic bone disease.

### **OXS-2175, Triple-Negative Breast Cancer Drug Development Program**

OXS-2175 is a small molecule therapeutic candidate which has shown promise in early-stage preclinical *in vitro* and *in vivo* models of triple-negative breast cancer. Oxis Biotech is investigating OXS-2175 formulated as an ADC therapy for the treatment of triple-negative breast cancer.

### **Therapeutic Antibody-Drug Conjugates Drug Development Program**

Antibody-drug conjugates (ADCs) are a new class of highly potent biopharmaceutical drugs designed as a targeted therapy for the treatment of cancer. By combining the unique targeting capabilities of monoclonal antibodies with the cancer-killing ability of cytotoxic drugs, antibody-drug conjugates allow sensitive discrimination between healthy and diseased tissue.



## Recent Developments

### *Restructuring Agreements*

Effective January 8, 2016, Company entered into agreements to effect the restructuring (the "Restructuring") of certain unregistered debt and equity securities of the Company that will result in an issuance of up to 28,389,193 shares of common stock of the Company (the "Common Stock"). In connection with the Restructuring, the Company entered into a note conversion agreement (the "Conversion Agreement"), a warrant exercise agreement (the "Exercise Agreement") and a preferred stock exchange agreement (the "Exchange Agreement" and, collectively with the Conversion Agreement and the Exercise Agreement, the "Restructuring Agreements"), pursuant to which the Company and certain of the Company's creditors and investors have agreed that (i) certain outstanding debt of the Company (collectively, the "Debt") will be converted into shares of Common Stock; (ii) certain outstanding warrants to purchase shares of capital stock of the Company (collectively, the "Warrants") will be exercised on a cashless basis for shares of Common Stock; and (iii) certain outstanding shares of Series H Convertible Preferred Stock of the Company (the "Series H Preferred Stock") and Series I Convertible Preferred Stock of the Company (the "Series I Preferred Stock" and together with the Series H Preferred Stock, the "Preferred Stock") will be exchanged for shares of Common Stock. The Conversion Agreement, Exercise Agreement and Exchange Agreement and the transactions contemplated thereby are described in further detail below.

Under the Conversion Agreement, certain creditors of the Company holding an aggregate of approximately \$15,056,000 (including accrued interest and penalties) of outstanding Debt agreed to convert all such outstanding Debt into shares of Common Stock at a conversion price of \$1.25 per share upon successful completion by the Company of a \$6 million financing. However, since the financing did not occur by March 15, 2016, the Conversion Agreement was terminated.

In addition, under the Exercise Agreement, certain investors together holding warrants to purchase 12,269,240 shares of capital stock of the Company exchanged such warrants and received one share of Common Stock in exchange for each share of capital stock of the Company underlying the warrants.

Finally, under the Exchange Agreement, certain investors together holding 25,000 shares of Series H Preferred Stock and 1,666,667 shares of Series I Preferred Stock have agreed to convert all such shares of Preferred Stock into an aggregate of 4,075,000 shares of Common Stock upon successful completion by the Company of a \$6 million financing.

The Restructuring Agreements terminated the warrants and any anti-dilution protection thereunder. In addition, all creditor and investor parties to the Restructuring Agreements provided a waiver of any and all past defaults and breaches under the Warrants and Preferred Stock, in consideration of the shares issued pursuant to the Restructuring Agreements.

### *License Agreements*

*University of Minnesota License Agreement.* Oxis executed an exclusive worldwide license agreement with the Regents of the University of Minnesota, to further develop and commercialize cancer therapies using Trispecific Killer Engager (TriKE) technology developed by researchers at the university to target NK cells to cancer. Under the terms of the agreement, OXIS receives exclusive rights to conduct research and to develop, make, use, sell, and import TriKe technology worldwide for the treatment of any disease, state or condition in humans. OXIS shall own all permits, licenses, authorizations, registrations and regulatory approvals required or granted by any governmental authority anywhere in the world that is responsible for the regulation of products such as the TriKe technology, including without limitation the Food and Drug Administration in the United States and the European Agency for the Evaluation of Medicinal Products in the European Union. Under the agreement, the University of Minnesota will receive an upfront license fee, royalty fees, and certain milestone payments.

*Daniel A. Vallera, Ph.D. License Agreement.* Oxis executed an exclusive worldwide license agreement with Daniel A. Vallera, Ph.D. and his associate (jointly "Dr. Vallera"), to further develop and commercialize DT2219ARL (OXS-1550), a novel therapy for the treatment of various human cancers. Under the terms of the agreement, OXIS receives exclusive rights to conduct research and to develop, make, use, sell, and import DT2219ARL worldwide for the treatment of any disease, state or condition in humans. OXIS shall own all permits, licenses, authorizations, registrations and regulatory approvals required or granted by any governmental authority anywhere in the world that is responsible for the regulation of products such as DT2219ARL, including without limitation the Food and Drug Administration in the United States and the European Agency for the Evaluation of Medicinal Products in the European Union. Under the agreement, Dr. Vallera will receive an upfront license fee, royalty fees, and certain milestone payments.

*ID4 Pharma, LLC License Agreement.* Pursuant to a patent license agreement with ID4 Pharma LLC, dated January 2, 2015 (the “ID4 License Agreement”), we received an exclusive, worldwide license to certain intellectual property, including intellectual property related to treating a p62-mediated disease including but not limited to multiple myeloma and other cancers. The terms of this license require us to pay ID4 Pharma royalties equal to three percent (3%) of net sales of products and twenty-five percent royalty of net sublicensing revenues. The license will expire upon expiration of the last patent contained in the licensed patent rights, unless terminated earlier. We may terminate the licensing agreement with ID4 Pharma by providing ID4 Pharma with a 30 day written notice. Under the agreement, ID4 Pharma LLC will receive an upfront license fee, royalty fees, and certain milestone payments.

*MultiCell Immunotherapeutics, Inc. (MCIT) License Agreement.* Oxis licensed exclusive rights to three antibody-drug conjugates (ADCs) that MCIT will prepare for further evaluation by Oxis as prospective therapeutics for the treatment of triple-negative breast cancer, and multiple myeloma and associated osteolytic bone disease. Under the terms of the agreement, MCIT will develop three ADC product candidates which contain Oxis’ lead drug candidates OXS-2175 and OXS-4235. Oxis paid MCIT a license fee of \$500,000 and will reimburse MCIT up to \$1.125 million for its development costs to make the three ADCs exclusively licensed to Oxis. Assuming all clinical development milestones are achieved and manufacturing rights to the three ADCs purchased, Oxis will pay MCIT an additional sum of \$22.75 million and pay a royalty of 3% of net yearly worldwide sales upon marketing approval of the ADCs.

## **Results of Operations**

### **Comparison of the Three Months Ended September 30, 2016 and 2015**

#### *Research and Development Expenses*

During the three months ended September 30, 2016 and 2015, we incurred \$250,000 and \$225,000 of research and development expenses.

#### *Selling, general and administrative expenses*

During the three months ended September 30, 2016 and 2015, we incurred \$2,280,000 and \$2,552,000 of selling, general and administrative expenses. The increase in selling, general and administrative expenses is primarily attributable to an increase in professional fees, license fees investor relations and stock compensation.

#### *Change in value of warrant and derivative liabilities*

During the three months ended September 30, 2016, we recorded a gain as a result of a decrease in the fair market value of outstanding warrants and beneficial conversion features of \$436,000, compared to a gain of \$2,809,000 during the three months ended September 30, 2015. This reduction is a result of a decrease in the fair market value of outstanding debt and equity securities accounted for as derivative liabilities and the conversion of warrants to common stock.

#### *Interest Expense*

Interest expense was \$1,536,000 and \$1,724,000 for the three months ended September 30, 2016 and 2015 respectively. The decrease is primarily due to an decrease in the non-cash amortization of the debt issuance costs associated with the convertible debentures and demand notes payable and expenses related the issuance of additional shares

## Comparison of the Nine Months Ended September 30, 2016 and 2015

### *License revenue*

During the nine months ended September 30, 2016 and 2015, we received \$-0- and \$27,000 of licensing revenue related to a Vitamin D producing line of sun care and skin care products under a license from ESLLC.

### *Research and Development Expenses*

During the nine months ended September 30, 2016 and 2015, we incurred \$725,000 and \$475,000 of research and development expenses.

### *Selling, general and administrative expenses*

During the nine months ended September 30, 2016 and 2015, we incurred \$7,827,000 and \$5,571,000 of selling, general and administrative expenses. The increase in selling, general and administrative expenses is primarily attributable to an increase in professional fees, license fees and stock compensation.

### *Change in value of warrant and derivative liabilities*

During the nine months ended September 30, 2016, we recorded a gain as a result of a decrease in the fair market value of outstanding warrants and beneficial conversion features of \$25,930,000, compared to a gain of \$20,683,000 during the nine months ended June 30, 2015.

### *Interest Expense*

Interest expense was \$4,781,000 and \$10,012,000 for the nine months ended September 30, 2016 and 2015 respectively. The decrease is primarily due to a decrease in the non-cash amortization of the debt issuance costs associated with the convertible debentures and demand notes payable, non-cash interest related to the beneficial conversion feature of new debt and expenses related the issuance of additional shares

## **Liquidity and Capital Resources**

On a consolidated basis, we had cash and cash equivalents of \$154,000 at September 30, 2016 and \$16,966,000 of current liabilities (of which \$16,782,000 represented current cash obligations and \$184,000 represented non-cash warrant liabilities and accrued expenses). As a result, on a cash basis, as of September 30, 2016, we had a working capital deficit of \$16,810,000. In addition, we have an accumulated deficit of \$121,820,000 through September 30, 2016.

In January 2016, the Company entered into convertible debentures totaling \$150,000.

In May 2016, the Company entered into convertible debentures totaling \$1,390,044.

In July 2016, the Company entered into convertible debentures totaling \$112,135.

In August 2016, the Company entered into convertible debentures totaling \$250,000.

## **Critical Accounting Policies**

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

## Basis of Consolidation

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

## Revenue Recognition

### *Product Revenue*

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 ASC 360, 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, 2016 and 2015, we issued warrants to purchase 3,475,111 and 376,000 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, 2016.

## **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, 2016. Based on that evaluation we have concluded that our disclosure controls and procedures were not effective as of September 30, 2016.

### **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, 2016, 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, 2016. 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, 2016. 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**

In May, 2015, Aaion Partners Inc, a consulting firm, filed a breach of contract action against the Company in the Superior Court of California County of Los Angeles, Case No: BC581098. The lawsuit seeks payment under a consulting agreement. In July, 2015, the Company filed a cross-claim against Aaion Partners Inc. for breach of contract and tort claims. In December 2015, we settled this claim for \$150,000 to be made in three cash payments and 11,429 shares of restricted common stock. The Company paid \$50,000 of the cash due and issued the stock owed. As of this filing, the Company has not made the 2 remaining cash payments and is in default in the settlement agreement.

On June 23, 2016, the Company was served with a complaint filed in the Circuit Court of the 13<sup>th</sup> Judicial Circuit in and for Hillsborough County, FL, Case No. 16-CA-004791. Suit was brought against the Company by Lippert/Heilshorn and Associates, Inc. who is alleging they are owed compensation for consulting services provided to the company. They are seeking payment of \$73,898. The Company has engaged legal counsel to answer the complaint.

### **Item 1A. Risk Factors**

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 2. Unregistered Sales of Securities and Use of Proceeds

In January 2015, the Company agreed to issue 39,657 shares of common stock as a price protection to a note holder that originally converted notes at a price of \$2.50 and continues to hold these shares. These additional shares would have been issued if the conversion shares price was \$1.75. As of December 31, 2015, 33,142 shares of common stock have been issued and \$247,000 of interest expense was recorded for this issuance. During January 2016 the remaining 6,515 share were issued and \$20,000 of interest expense was recorded.

During the nine months ending September 30, 2016, the Company issued an aggregate of 12,580,183 shares of common stock to a total of 34 persons or entities in exchange of the cancellation of warrants on a cashless basis. The shares issued were exempt from the registration requirements of Section 5 of the Securities Act of 1933 (the "Act") pursuant to Section 4(2) of the Act since the shares were issued to persons or entities closely associated with the Company and there was no public offering of the shares.

During the nine months ending September 30, 2016, the Company also issued an aggregate of 2,022,230 shares of common stock to a total of 17 persons as payment for consulting services provided to the Company. The average valuation of these shares was \$2.00 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

During the nine months ending September 30, 2016, the Company also issued an aggregate of 4,612,341 shares of common stock to two executive officers of the Company in fulfilment of contractual rights held by the officers pursuant to their employment agreements. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

During the nine months ending September 30, 2016, the Company also issued an aggregate of 5,301,205 shares of common stock to a total of 18 persons as payment for the conversion of certain note and the related accrued interest. The conversion price of these shares was \$0.40 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In July 2016, the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures, with an exercise price of \$0.40, with an initial principal balance of \$112,135 and warrants to acquire up to 280,338 shares of the Company's common stock at an exercise price of \$0.45 per share.

In July 2016, the Company also issued an aggregate of 1,026,019 shares of common stock to a total of three persons or entities as payment for the conversion of certain note and the related accrued interest. The conversion price of these shares was \$0.40 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In August 2016, the Company issued 1,115,000 shares of common stock to H.C. Wainwright and Co., LLC as payment for investment banking services provided to the Company.

In August 2016, the Company entered into a securities purchase agreement with one accredited investor to sell 10% convertible debentures up to \$1,000,000, with an exercise price of \$0.40, with an initial principal balance of \$250,000 and warrants to acquire up to 2,500,000 shares of the Company's common stock at an exercise price of \$0.45 per share.



In October 2016 the Company issued an aggregate of 453,431 shares of common stock to one noteholder as payment for the conversion of certain accrued interest. The conversion price of these shares was \$0.40 per share. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In October 2016 the Company issued an aggregate of 594,530 shares of common stock to one noteholder as payment for the conversion of a certain note. The conversion price of these shares was \$0.0841 per share based on 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

In November 2016 the Company issued an aggregate of 975,039 shares of common stock to one noteholder as payment for the conversion of a certain note. The conversion price of these shares was \$0.0513 per share based on 60% of the average of the lowest three trading prices occurring at any time during the 20 trading days preceding conversion. These shares were also exempt from the registration requirements of Section 5 of the Act pursuant to Section 4(2) of the Act since the shares were also issued to persons closely associated with the Company and there was no public offering of the shares.

### **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, 2015.

### **Item 4. Mine Safety Disclosures**

None.

### **Item 5. Other Information.**

None.

### **Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
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<a href="#">31.1</a>	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
<a href="#">31.2</a>	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
<a href="#">32.1</a>	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).
<a href="#">32.2</a>	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
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 Section 13 or 15(d) 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.

### GT Biopharma, Inc.

Dated: February 28, 2018

By: /s/ Shawn Cross

\_\_\_\_\_  
Shawn Cross  
Chief Executive Officer and  
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Shawn Cross</u> Shawn Cross	Chief Executive Officer and Chairman of the Board	February 28, 2018
<u>/s/ Steven Weldon</u> Steven Weldon	Chief Financial Officer (Principal Financial Officer), and Director	February 28, 2018
<u>/s/ Dr. Kathleen Clarence-Smith</u> Dr. Kathleen Clarence-Smith	Vice Chairwoman and Director	February 28, 2018
<u>/s/ Anthony J. Cataldo</u> Anthony J. Cataldo	Director	February 28, 2018
<u>/s/ Geoffrey Davis</u> Geoffrey Davis	Director	February 28, 2018

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT.**

I, Shawn Cross, certify that:

1. I have reviewed this report on Form 10-Q of GT Biopharma, 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal 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.

Date: February 28, 2018

By: /s/ Shawn Cross

Name: Shawn Cross

Title: Chief Executive Officer and Chairman of the Board (Principal Executive Officer)

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**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT.**

I, Steven Weldon, certify that:

1. I have reviewed this report on Form 10-Q of GT Biopharma, 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal 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.

Date: February 28, 2018

By: /s/ Steven Weldon

Name: Steven Weldon

Title: Chief Financial Officer and Director (Principal  
Financial Officer)

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**CERTIFICATION TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, I, Shawn Cross, Chief Executive Officer of GT Biopharma, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

(i) the Annual Report on Form 10-Q of the Company for the fiscal year ended September 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: February 28, 2018

By: /s/ Shawn Cross

\_\_\_\_\_  
Name: Shawn Cross

Title: Chief Executive Officer and Chairman of  
the Board (Principal Executive Officer)

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**CERTIFICATION TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, I, Steven Weldon, Chief Financial Officer of GT Biopharma, Inc. (the “Company”), hereby certify that, to the best of my knowledge:

(i) the Annual Report on Form 10-Q of the Company for the fiscal year ended September 30, 2016 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: February 28, 2018

By: /s/ Steven Weldon

Name: Steven Weldon

Title: Chief Financial Officer and Director  
(Principal Financial Officer)

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