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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C., 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended April 30, 2009

Commission File No. 002-31909

OXYGEN BIOTHERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-2593535**
(State of Incorporation)	**(IRS Employer I.D. Number)**

2530 Meridian Parkway, Suite 3084, Durham, North Carolina 27713
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number and area code: (919) 806-4414

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	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 ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $63,105,747.

The number of shares outstanding of the registrant's class of $0.0001 par value common stock as of August 5, 2009 was 293,692,570.

DOCUMENTS INCORPORATED BY REFERENCE: None

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FORWARD-LOOKING STATEMENTS

All statements contained in this report, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that we expect or anticipate will or may occur in the future, including plans for clinical tests and other such matters pertaining to testing and development products, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including, but not limited to, the risks discussed elsewhere in this report that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activities, performance or achievements expressed or implied by such forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of filing of this report or to conform such statements to actual results.

PART I

ITEM 1—BUSINESS

General

Oxygen Biotherapeutics, Inc. ("Oxygen Biotherapeutics" or "OBI") is engaged in the business of developing biotechnology products with a focus on oxygen delivery to tissue. We are currently developing Oxycyte™, a product we believe is a safe and effective oxygen carrier for use in surgical and similar medical situations. We have developed a family of perfluorocarbon based oxygen carriers for use in personal care, topical wound healing, and other topical indications. In addition, we also have under development Fluorovent™, an oxygen exchange fluid for facilitating the treatment of lung conditions, and out licensed our rights to a biosensor implant product that uses an enzyme process for measuring the glucose level in subcutaneous fluid. During the fiscal years ended April 30, 2009 and 2008, we spent approximately $1,598,807 and $939,998, respectively, on research and development.

We received approval of our Investigational New Drug application for Oxycyte filed with the U.S. Food and Drug Administration (FDA) and began Phase I clinical studies in October 2003, which were completed in December 2003. We submitted a report on the results, which were in line with our expectations, to the FDA along with a Phase II protocol in 2004. Phase II-A clinical studies began in the fourth quarter 2004, and were completed in 2006. A further Phase II study protocol was filed with the FDA in the spring of 2008, but put on clinical hold due to safety concerns raised by the regulatory agency. Management decided to take a radically different approach to trials from the past and filed a revised protocol as a dose-escalation study with the regulatory authorities in Switzerland and Israel. The trial already has received Ethic Commission approval in three Cantons of Switzerland, and one site in Israel. Management is hopeful the protocol will be approved and the new study should begin in early September of 2009. We expect to commit a substantial portion of our financial and business resources over the next three years to testing Oxycyte and advancing this product to the point it has regulatory approval for use in one or more medical applications.

In April 2009, OBI pursued another avenue with the FDA by filing an application with the FDA to obtain orphan drug designation for Oxycyte for the treatment of patients with severe, closed-head Traumatic Brain Injury (TBI). If granted, orphan drug status would entitle Oxycyte to seven years of marketing exclusivity for the orphan TBI indication after FDA approval. The orphan drug designation in cases of severe, closed-head TBI is in addition to Oxycyte use in treating other injuries and conditions.

OBI filed a Cosmetic Product Ingredient Statement (CPIS) with the FDA for Dermacyte™ Gel, its new Oxycyte-based cosmetic product. The gel is an oxygen-rich formulation of Oxycyte, which OBI believes will promote skin health and other desirable cosmetic benefits when applied to the skin. A CPIS is a voluntary registration with the FDA recommended for a cosmetic product's proposed commercial introduction. We are now evaluating the market opportunities for this product, so we have not entered into any agreements for the manufacture and marketing of Dermacyte.

In March 2009, OBI reached a development and commercial supply agreement with Hospira Worldwide, Inc., to participate in the advancement and manufacture of clinical-grade Oxycyte. During the development phase of the agreement, which is expected to last at least through the end of 2009, Hospira will provide services in connection with establishing Oxycyte commercial production formulation, manufacturing processes, testing protocols, validation procedures, and regulatory approvals for commercial production. For these services, OBI will pay to Hospira a total of $876,000 upon achieving specified milestones in the development phase. Following successful completion of the development phase, OBI has agreed to purchase all of its requirements for commercial distribution of Oxycyte from Hospira at prices to be negotiated by the parties for an initial term of seven years, which is automatically renewed at the end of the initial and each renewal term for an additional two years, unless terminated after the initial term by either party on not less than 36 months advance notice. Hospira will formulate, fill, finish and label Oxycyte in accordance with good manufacturing practice standards required by applicable regulations for the production of drugs. OBI believes Hospira will have sufficient manufacturing capacity to supply the amount of Oxycyte OBI may need for commercial distribution in the foreseeable future.

On February 23, 2009, OBI signed a memorandum of understanding with an educational institution (MOU) to establish a federal defense appropriation-funded joint venture focusing on developing new treatments for military battlefield injuries. The joint venture initially intended to establish an entity to be known as the Purple Heart Injury Laboratories (PHIL) in Richmond, VA as jointly managed and operated research laboratory focusing on healing battlefield injuries with new therapies and concepts. This facility initially was to be a segment of Virginia Commonwealth University Reanimation Engineering Shock Center (VCURES) and the initial funding for the joint venture was sought through an appropriation request in the 2009/2010 federal defense budget. In May 2009 we reviewed the potential of PHIL and decided to establish PHIL as a not for profit entity within a broader concept of multiple academic institution. On June 29, 2009, we established PHIL as a not for profit corporation and intend to file an application with the Internal Revenue Service for 501(c)(3) status. PHIL will initially seek grant moneys, private donations, government appropriations, and federal budget line-items to pursue scientific research and new therapies that focus on healing battlefield injuries. A licensing agreement between PHIL and OBI gives the rights to all military application for Oxycyte to PHIL, and in return OBI receives a first right of refusal to participate in a majority ownership in all commercial and civil applications resulting from any research conducted by PHIL.

In February 2009, OBI engaged PFC Pharma Focus AG, a Swiss contract research organization (CRO) to supervise a proposed Phase II Oxycyte dose escalation clinical trial in Switzerland and Israel for TBI. OBI has completed the filing processes for the clinical trial protocol in Switzerland and Israel with the relevant ethic committees and governmental bodies and is expecting the trial to start by September 2009. The terms of the contract call for PFC Pharma Focus, AG to bill Oxygen Biotherapeutics as work is performed.

In May 2009, OBI signed a limited purpose cooperative research and development agreement (LP-CRADA) for equipment/material transfer (from non-NAVY provider to NAVY recipient) with the Naval Medical Research Center and Walter Reed Army Institute of Research for an IND to use Oxycyte in Decompression sickness. The terms of this agreement give the Naval Medical Research Center the right to use our compound in any way they see fit and also require that the Naval Medical Research Center to purchase Oxycyte from Oxygen Biotherapeutics. The Navy will invest up to $3.8 million in a three-year program for trials of Oxycyte in decompression sickness and related spinal cord injury.

Fluorovent is still at the animal testing stage and we have not filed any applications with the FDA for human testing of that product. We have out licensed our biosensor to a company named Glucometrics, Inc. in exchange for a ten percent ownership in the company and license fees from revenues. Since we will likely devote less of our time and resources to advancing these products because of the priority placed on Oxycyte, we do not expect we will be in a position to develop these products without license partners. Since our priority for the foreseeable future is Oxycyte, the following discussion of our business focuses primarily on that product.

Oxygen Biotherapeutics was originally formed as a New Jersey corporation in 1967 under the name Rudmer, David & Associates, Inc., and subsequently changed its name to Synthetic Blood International, Inc. Effective June 30, 2008, we changed the domiciliary state of the corporation to Delaware and changed the company name to Oxygen Biotherapeutics, Inc.

Oxygen to Tissue Delivery Market

The principal function of human blood is to transport oxygen throughout the body. The lack of an adequate supply of oxygen as a result of blood loss can lead to organ dysfunction or death. The transfusion of human blood is presently the only effective means of immediately restoring diminished oxygen-carrying capacity resulting from blood loss. According to the AABB 2005 Nationwide Blood Collection and Utilization Report, over 14 million units of whole blood and red blood cells were transfused in the United States in 2004. This includes transfusions for trauma, surgery (emergency and elective), unexpected blood loss, chronic anemia, and other general medical applications.

The use of donated blood in transfusion therapy, while effective in restoring an adequate supply of oxygen in the body of the recipient, has several limitations. Although testing procedures exist to detect the presence of certain diseases in blood, these procedures cannot eliminate completely the risk of blood-borne disease. Transfused blood also can be used only in recipients having a blood type compatible with that of the donor. Delays in treatment, resulting from the necessity of blood typing prior to transfusion, together with the limited shelf life of blood and the limited availability of certain blood types, impose constraints on the immediate availability of compatible blood for transfusion. There is no commercially available blood substitute in this country that addresses these problems. The regulatory authorities in the U.S. are very skeptical regarding blood substitutes and OBI assessed chances of getting a blood substitute approved by the FDA as very limited. Therefore, OBI changed its direction away from synthetic blood to oxygen to tissue delivery.

Oxycyte is intended as an oxygen carrier that ordinarily would be applied in cases of trauma, surgery (emergency and elective), and other general medical applications. For trauma and emergency surgical procedures, Oxycyte's immediate availability, universal compatibility, and the absence of risk of blood borne diseases provide significant advantages over transfused blood or other proposed oxygen delivery systems based on biological material.

We believe there exist potential sources of demand for which blood is not currently utilized and for which Oxycyte may be suitable. These include applications in which the required blood type is not immediately available or in which transfusions are desirable but not given for fear of a transfusion reaction due to difficulty in identifying compatible blood. For example, we believe emergicenters and surgicenters both experience events where an oxygen-carrying fluid may be useful. We also believe Oxycyte may be used by emergency medical technicians in ambulances, medical helicopters and other pre-hospital settings. In addition, the military has expressed a high level of interest in oxygen-carrying products for the treatment of battlefield injuries.

Based on these circumstances, we believe there may be a substantial and meaningful market for an effective oxygen carrier, and we believe Oxycyte is a viable candidate for exploiting that market.

Our primary product—Oxycyte

Our Oxycyte oxygen carrier product is a perfluorocarbon emulsified with water and a surfactant, which is provided to the patient intravenously. The physical properties of perfluorocarbon enable our product to gather oxygen from the lungs and transport the oxygen through the body releasing it along the way. Over a period of days Oxycyte gradually evaporates in the lungs from where it is exhaled. Oxycyte requires no cross matching, so it is immediately available and compatible with all patients. Oxycyte has an extended shelf life compared to blood. Since Oxycyte is not based on any biological component, it is sterile and free of potential contamination from a donor. Further, since Oxycyte is based on readily available inert compounds, we believe it can be manufactured on a cost effective basis in amounts sufficient to meet demand.

After receiving clearance from the FDA, we conducted a Phase I clinical study on Oxycyte, which was completed in December 2003. We submitted a report on the results, which were in line with our expectations, to the FDA along with a Phase II protocol in 2004. Phase II-A clinical studies began in the fourth quarter 2004, and were completed in 2006. A further Phase II study protocol was filed with the FDA in the spring of 2008, at which time the FDA requested additional safety information and data. OBI is pursuing a testing program aborad to address this issue, as well as to advance the compliance with the regulatory requirements in other countries to allow commercialization of Oxycyte. OBI subsequently filed the protocol for a dose escalation and safety study in 128 patients in Switzerland and Israel. The study will be a double-blind study in up to six centers in Switzerland and up to five centers in Israel. Management is hopeful the protocol will be approved in both countries and the new study would be completed in the first half of 2010.

We use a proprietary process of perfluorocarbon production and emulsification to produce Oxycyte. We use a contract manufacturer to produce Oxycyte for our clinical testing. Our contract manufacturer for trial batches is PrimaPharm, Inc. located in San Diego, California. Based on the composition and manufacturing process for Oxycyte, management believes there are a number of other manufacturers capable of producing Oxycyte in accordance with FDA regulations and in sufficient quantities for current needs. For larger batches we intend to employ the contract manufacturing services of Hospira, a major pharmaceutical company in North Carolina.

Should Oxycyte successfully progress through Phase II and III testing and it appears regulatory approval for one or more medical uses is likely, we will evaluate our options for exploiting the product. These options include licensing Oxycyte to a third party for manufacture and distribution, manufacturing Oxycyte ourselves for distribution through third party distributors, manufacturing and selling the product ourselves, or establishing some other form of strategic relationship for making and distributing Oxycyte with a participant in the pharmaceutical industry. We are currently investigating and evaluating all options.

If approved for one or more medical uses, Oxycyte will compete directly with established therapies for acute blood loss and replacement and may compete with other technologies currently under development. We cannot ensure that Oxycyte will have advantages, which will be significant enough to cause medical professionals to adopt it rather than continue to use established therapies or other new technologies or products. We also cannot ensure that the price of Oxycyte, in light of Oxycyte's potential advantages, will be competitive with the price of established therapies or other new technologies or products.

Several companies have developed, or are in the process of developing, technologies that are, or in the future may be, the basis for products that will compete with Oxycyte. We are aware of five other products at various stages of development that are intended to achieve the same result as Oxycyte. Three of these products are based on hemoglobin derivates, two from outdated human blood and the third from bovine blood. One product is also based on perfluorocarbon and the other on nanobubble oxygen technology. None of these products is approved for use in the United States. The bovine-source hemoglobin-based oxygen-carrier has been approved for human use in South Africa and a Biologics License Application (BLA) was submitted to the FDA for its use in the United States, and this was not approved and no clinical trials in the United States are currently underway. All hemoglobin based products were targets of a very critical meta-analysis in the JAMA, the Journal of the American Medical Association, (May 21, 2008, p. 2304ff, www.jama.com) which concluded that "based on the available data, use of HBBSs (Hemoglobin-based blood substitutes) is associated with a significantly increased risk of death or MI (myocardial infarction)". Phase III clinical trials on the other perfluorocarbon product in the U.S. were halted in 2001 and have not resumed. That product has now been licensed for development with a drug manufacturer in China.

We believe that important competitive factors in the market for oxygen carrier products will include the relative speed with which competitors can develop their respective products, complete the clinical testing and regulatory approval process, and supply commercial quantities of their products to the market. In addition to these factors, competition is expected to be based on the effectiveness of oxygen carrier products and the scope of the intended uses for which they are approved, the scope and enforceability of patent or other proprietary rights, product price, product supply, and marketing and sales capability. We believe that our competitive position will be significantly influenced by the timing of the clinical testing and regulatory filings for Oxycyte, our ability to maintain and enforce our proprietary rights covering Oxycyte and its manufacturing process, and our ability to develop capabilities for manufacturing and distributing the product ourselves or with others, should we obtain regulatory approval.

During our last fiscal year, we have developed a range of topical Perfluocarbon gels based on the Oxycyte compound.

Dermacyte

Dermacyte is a topical gel consisting of Perfluocarbon, a surfactant, and water. The effects of Dermacyte are similar to Oxycyte. Dermacyte has passed all safety and toxicity tests and has filed a Cosmetic Product Ingredient Statement (CPIS). Dermacyte claims to deliver a moist andoxygen-rich environment to the skin when it is applied topically in small doses. The Company believes the product will promote skin health and other desirable cosmetic benefits when applied to the skin. The market for oxygen carrying cosmetics includes anti-aging, anti-wrinkle, skin abrasions, and minor skin defects. In a market acceptance test, the product will be sold as a concentrate in sterile packs of 8 doses of 0.4ml. The strategy for Dermacyte is to market it as a high-level cosmetic in various specific formulations. Packaging will be between half an ounce and an ounce. The Company is currently working on the manufacturing setup. We intend to market this product through licensing partners and through e-commerce on www.buydermacyte.com.

Wundecyte

Wundecyte is an evolution of the topical gel to be used as wound healing gel. OBI has filed the designation application for a medical device. Depending on how the FDA classifies the product, more or less extensive preclinical and clinical studies need to be conducted with the compound. Wundecyte can be packaged in blister packs of eight (similar to Dermacyte) to be applied in single doses. We are also developing indications combined with bandages. The product development plan foresees Wundecyte to emerge into more complex wound healing indications, also in combination with oxygen producing technologies based on hydrogen peroxide.

Rosacyte

Rosacyte is an evolution of the topical gel to be used as a healing gel against Rosacea.

Acnecyte

Acnecyte is an evolution of the topical gel to be used as a healing gel against Acne.

Duracyte

Duracyte is an evolution of the topical gel to be used as a sensory stimulant for sexual intercourse.

Our other products

Fluorovent

Fluorovent is an oxygen-carrying perfluorocarbon liquid that, when dispensed directly into the lungs, acts as a surfactant and effective medium for gas exchange, which increases pulmonary function and the diffusion of oxygen and carbon dioxide through the lungs into the body. The development of this product capability has applications in the treatment of acute lung disease, such as infant respiratory distress syndrome (IRDS) and adult respiratorydistress syndrome (ARDS). Further development of this product is currently on hold, until we have found a partner to participate in the development and testing of the product

Implanted glucose biosensor

We have developed an implanted glucose biosensor to monitor blood glucose. Termed a biosensor because it utilizes an enzyme specific for glucose, we believe it will provide glucose measurement significantly more accurate than possible from current portable measuring devices. Once implanted in subcutaneous tissue during a simple outpatient procedure, the biosensor provides continuous monitoring of glucose levels. A radio frequency signal from the implanted biosensor is transmitted to an external receiving device the size of a pager that displays glucose levels as a digital readout, has high and low glucose alarms, and stores data for downloading at the physician’s office. The external device can also be programmed to monitor glucose according to a preset schedule. It is anticipated the implant life of the biosensor will exceed one year.

The primary market for this product are diabetics. A study sponsored by the National Institutes of Diabetes and Digestive and Kidney Diseases, showed that “tight diabetes control” (keeping blood sugar levels close to normal by frequent blood sugar testing, several daily insulin shots, and lifestyle changes) was associated with a major reduction in diabetic complications. Current glucose testing devises are based on “finger sticking” to obtain a blood sample for testing, which we believe results in less frequent and less regular monitoring of glucose levels. Consequently, we believe there is a meaningful market for a painless automatic monitoring product.

On September 22, 2008, we entered into a license agreement with Glucometrics, Inc., an unrelated third party, pursuant to which we licensed the intellectual property pertaining to our biosensor implant product for the development, manufacture, and marketing of products that use or incorporate the intellectual property. In exchange for the license we acquired:

- a 10% equity interest in Glucometrics;
- the right to receive a royalty payment on implantable products equal to 10% of the first $10 million in net sales, 8% of the next $40 million of net sales, and 6% of net sales equal to or greater than $50 million;
- the right to receive a royalty payment on non-implantable products equal to 8% of the first $5 million in net sales, 6% of the next $20 million of net sales, and 4% of net sales equal to or greater than $25 million; and
- participation in fees and payments made under sublicensing arrangements.

The term of the license agreement is for the life of the patent right licensed under the agreement.

Our patents and intellectual property

Perfluorocarbon products

We hold three U.S. patents (5,824,703; 5,840,767; 6,167,887), with remaining life’s of five years, seven years, and nine years respectively, three Australian patents (690,277; 722,417; 759,557), two Canadian patents (2,239,170; 2,311,122) pertaining to the use and application of perfluorocarbons as gas transport agents in blood substitutes and liquid ventilation. Additionally, we have filed numerous patent applications for treatment of traumatic brain injury, novel combinatorial approaches to enhance oxygen transport to tissues, gas based wound and tissue therapeutics, methods of treating acne, deep immersion floatation therapy for burn victims, perfluocarbon gel formulations, and perfluocarbon formulations, methods and compositions for controlled and sustained production and delivery of peroxides and/or oxygen for biological and industrial applications. Also, the process of manufacturing the perfluocarbon contained in our products is extremely complicated and protected by numerous perfluorocarbon manufacturing process patents of our supplier.

Biosensor

We have three U.S. patents (5,914,026; 5,964,993 6,343,225) and two Australian patents (720,712; 734,003) that protect what we believe are important design features of our implanted glucose biosensor. We also hold exclusive licenses to three fundamental biosensor patents that represent the core technology used on our product.

Trademarks and Domain Names

We have filed trademark applications for Oxygen Biotherapeutics, and Oxycyte. We had to resolve a dispute with the Mentholateum Company to amend the trademark application for Oxycyte to delete reference to acne products. That dispute was resolved amicably and without payments in May 2009. Oxygen Biotherapeutics has also filed trademark applications for DIFT, Acnecyte, Dermacyte, Wundecyte, Duracyte, Adurocyte, Defense Medicine, Defense Biomedicals, Frontrunners of Defense Medicine, and At the Forefront of Defense Medicine.

We own the following domain names: Oxybiomed(.com, .net), Oxybiotech.com, Oxybiotherapeutics.com, Oxygenbiotherapeutics.com Oxycyte.com, Purpleheartlab(.org, .com, .net, .US), Acnecyte.com, Buydermacyte.com, Nicocyte.com, Oxyrx.net, Rosacyte.com, and Wundecyte.com.

Government regulation

The manufacture and distribution of Oxycyte, as well as our other products, and the operation of our manufacturing facilities will require the approval of United States government authorities as well as those of foreign countries. In the United States, the FDA regulates medical products, including the category known as “biologicals” which includes Oxycyte. The Federal Food, Drug and Cosmetic Act and the Public Health Service Act govern the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of Oxycyte. In addition to FDA regulations, we are also subject to other federal and state regulations, such as the Occupational Safety and Health Act and the Environmental Protection Act. Product development and approval within this regulatory framework requires a number of years and involves the expenditure of substantial funds.

The steps required before a biological product may be sold commercially in the United States include pre clinical testing, the submission to the FDA of an Investigational New Drug application, clinical trials in humans to establish the safety and effectiveness of the product, the submission to the FDA of a Biologics License Application, or (BLA), relating to the product and the manufacturing facilities to be used to produce the product for commercial sale, and FDA approval of a BLA. After a BLA is submitted there is an initial review by FDA to be sure that all of the required elements are included in the submission. There can be no assurance that the application will be accepted for filing or that the FDA may not issue a refusal to file, or RTF. If a RTF is issued, there is opportunity for dialogue between the sponsor and the FDA in an effort to resolve all concerns. There can be no assurance that such a dialogue will be successful in leading to the filing of the BLA. If the submission is filed, there can be no assurance that the full review will result in product approval.

Pre clinical tests include evaluation of product chemistry and studies to assess the safety and effectiveness of the product and its formulation. The results of the pre-clinical tests are submitted to the FDA as part of the application. The goal of clinical testing is the demonstration in adequate and well-controlled studies of substantial evidence of the safety and effectiveness of the product in the setting of its intended use. The results of pre clinical and clinical testing are submitted to the FDA from time to time throughout the trial process. In addition, before approval for the commercial sale of a product can be obtained, results of the pre clinical and clinical studies must be submitted to the FDA in the form of a BLA. The testing and approval process requires substantial time and effort and there can be no assurance that any approval will be granted on a timely basis, if at all. The approval process is affected by a number of factors, including the severity of the condition being treated, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials. Additional pre-clinical studies or clinical trials may be requested during the FDA review process and may delay product approval. After FDA approval for its initial indications, further clinical trials may be necessary to gain approval for the use of a product for additional indications. FDA may also require post-marketing testing, which can involve significant expense, to monitor for adverse effects.

Among the conditions for BLA approval is the requirement that the prospective manufacturer’s quality controls and manufacturing procedures conform to FDA requirements. In addition, domestic manufacturing facilities are subject to biennial FDA inspections and foreign manufacturing facilities are subject to periodic FDA inspections or inspections by the foreign regulatory authorities with reciprocal inspection agreements with FDA. Outside the United States, we are also subject to Foreign regulatory requirements governing clinical trials and marketing approval for medical products. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country.

Our regulatory strategy is to pursue Phase II clinical testing and initial regulatory approval of Oxycyte in Switzerland, and Israel. We then intend to use the results of these tests to pursue FDA approval for Phase III clinical tests and marketing approval of Oxycyte in the United States.

Employees

We currently employ twelve individuals including our Chief Executive Officer, President and Chief Operations Officer, Chief Financial Officer, a fourth is our Vice President of our War-fighter division and governmental affairs, three science professionals, two clinical affairs professionals, one accounting professional, and two administrative people. Our employees are not represented by a union or any other form of collective bargaining unit. We also use the services of three directors on a part-time basis through consulting arrangements.

ITEM 1A—RISK FACTORS

Not Applicable.

ITEM 1B—UNRESOLVED STAFF COMMENTS

We have not received any comments from the Securities and Exchange Commission that remain unresolved.

ITEM 2—PROPERTIES

Oxygen Biotherapeutics owns no real property. We lease our principal executive office at 2530 Meridian Parkway, Durham North Carolina 27713 and its principal laboratory facilities at 3189 Airway Avenue, Building C, Costa Mesa, California 92626. The current rent is approximately $11,313 and $15,400 per month respectively. We also lease a laboratory facility at 800 East Leigh Street, Richmond, VA 23219 for rent of approximately $500 per month.

ITEM 3—LEGAL PROCEEDINGS

Oxygen Biotherapeutics is not presently involved in any legal proceedings and was not involved in any such legal proceedings during fiscal year 2009.

ITEM 4—SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended April 30, 2009.

PART II

ITEM 5—MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market price, number of shareholders, and dividend policy

Quotations for the common stock of Oxygen Biotherapeutics are reported on the OTC Electronic Bulletin Board under the symbol "OXBO." The over-the-counter quotations set forth below reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. For the past two fiscal years, the high and low bid prices in each fiscal quarter were:

	2009		2008	
Quarter	Low	High	Low	High
1st	$0.56	$0.93	$0.10	$0.15
2nd	$0.31	$0.77	$0.07	$0.20
3rd	$0.15	$0.45	$0.16	$0.34
4th	$0.22	$0.34	$0.26	$1.01

At July 14, 2009 we had approximately 1,376 shareholders of record.

Since inception of Oxygen Biotherapeutics, no dividends have been paid on the common stock. Oxygen Biotherapeutics intends to retain any earnings for use in its business activities, so it is not expected that any dividends on the common stock will be declared and paid in the foreseeable future.

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	9,871,668	$ 0.248	2,128,332
Equity compensation plans not approved by security holders	3,000,000(1)	$ 0.236	0
Total	12,871,668	$ 0.245	2,128,332

(1) This figure includes options issued to nonemployee directors and consultants under individual compensation arrangements.

Repurchases of Common Stock

There were no repurchases of its common stock by Oxygen Biotherapeutics in the fourth fiscal quarter that ended April 30, 2009.

ITEM 6—SELECTED FINANCIAL DATA

Not Applicable.

ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of financial condition and results of operations of Oxygen Biotherapeutics for the fiscal years ended April 30, 2009 and 2008. This discussion and analysis should be read in conjunction with the financial statements and notes included elsewhere herein.

Overview

Oxygen Biotherapeutics is engaged in the business of developing biotechnology products with a focus on oxygen delivery to tissue. We are currently developing Oxycyte™, a product we believe is a safe and effective oxygen carrier for use in surgical and similar medical situations. We have developed a family of perfluorocarbon based oxygen carriers for use in personal care, topical wound healing, and other topical indications. In addition, we also have under development Fluorovent™, an oxygen exchange fluid for facilitating the treatment of lung conditions, and have out-licensed our rights to a biosensor implant product that uses an enzyme process for measuring the glucose level in subcutaneous fluid.

The nature of our business is to spend years in development and testing of pharmaceutical and medical device products, take products through a lengthy and expensive process of regulatory review by the FDA, and, if successful in showing the product is efficacious and obtaining FDA approval, commercialize the product. During the periods of development and regulatory review we have no product to sell and no revenue. Nevertheless, we incur substantial costs pursuing this process, which require cash that comes from outside sources. We rely on outside financing to fund our operations, and will for the foreseeable future. That means we must continue to show progress with our products and be able to locate investors willing to commit their funds to a speculative venture that will ultimately be successful only if we can actually bring a product to market and gain a meaningful level of market acceptance and penetration. Because of these factors a larger number of biotechnology products under development fail, and there is no assurance that the products we have under development will not suffer the same fate.

We received approval of our Investigational New Drug application for Oxycyte filed with the U.S. Food and Drug Administration (FDA) and began Phase I clinical studies in October 2003, which were completed in December 2003. We submitted a report on the results, which were in line with our expectations, to the FDA along with a Phase II protocol in 2004. Phase II-A clinical studies began in the fourth quarter 2004, and were completed in 2006. A further Phase II study protocol was filed with the FDA in the spring of 2008, but put on clinical hold due to safety concerns raised by the regulatory agency. Management decided to take a radically different approach to trials from the past and filed a revised protocol as a dose-escalation study with the regulatory

authorities in Switzerland, and Israel. The trial already has received Ethic Commission approval in three Cantons of Switzerland, and one site in Israel. Management is hopeful the protocol will be approved in August and the new study begun in September 2009. We expect to commit a substantial portion of our financial and business resources over the next three years to testing Oxycyte and advancing this product to the point it has regulatory approval for use in one or more medical applications.

In April 2009, OBI filed an application with the FDA to obtain orphan drug designation for Oxycyte for the treatment of patients with severe, closed-head traumatic brain injury (TBI). If granted, orphan drug status would entitle Oxycyte to seven years of marketing exclusivity for the orphan TBI indication after FDA approval. The orphan drug designation in cases of severe, closed-head TBI would be in addition to Oxycyte use in treating other injuries and conditions.

In March 2009, OBI reached a development and commercial supply agreement with Hospira Worldwide, Inc., to participate in advancement and manufacture clinical-grade Oxycyte. During the development phase of the agreement, which is expected to last at least through the end of 2009, Hospira will provide services in connection with establishing Oxycyte commercial production formulation, manufacturing processes, testing protocols, validation procedures, and regulatory approvals for commercial production. For these services, OBI will pay to Hospira a total of $876,000 upon achieving specified milestones in the development phase. Following successful completion of the development phase, OBI has agreed to purchase all of its requirements for commercial distribution of Oxycyte from Hospira at prices to be negotiated by the parties for an initial term of seven years, which is automatically renewed at the end of the initial and each renewal term for an additional two years, unless terminated after the initial term by either party on not less than 36 months advance notice. Hospira will formulate, fill, finish and label Oxycyte in accordance with good manufacturing practice standards required by applicable regulations for the production of drugs. OBI believes Hospira will have sufficient manufacturing capacity to supply the amount of Oxycyte OBI may need for commercial distribution in the foreseeable future.

In February 2009, OBI engaged PFC Pharma Focus AG, a Swiss contract research organization to supervise a proposed Phase II Oxycyte dose escalation clinical trial in Switzerland and Israel for TBI. OBI has completed the filing processes for the clinical trial protocol in Switzerland and Israel with the relevant ethic committees and governmental bodies and is expecting the trial to start by September 2009. The terms of the contract call for PFC Pharma Focus, AG to bill Oxygen Biotherapeutics as work is performed.

Results of operations-Fiscal year ended April 30, 2009 as compared to fiscal year ended April 30, 2008

Total research and development expenses for the fiscal year ended April 30, 2009 were $1,598,807 as compared to $939, 998 for the same period in the prior year. The bulk of this $658,809 increase in research and development costs is due to the start of Phase II-A and Phase II-B studies in TBI, which was $284,077 in 2009 as compared to $53,919 costs related to clinical study activity in fiscal year ended April 30, 2008. This is an increase in clinical study management costs of $230,158. Also we incurred costs related to using consulting firms of $220,417 in the fiscal year ended April 30, 2009 as compared to just $36, 872 in the fiscal year ended April 30, 2008. This increase of $183,545 was due to our needing a specific type of professional experience to manage the clinical trials approval process of the United States Food and Drug Administration (FDA). Finally, as a result of increased clinical trial activity we had to manufacture more Oxycyte during the fiscal year ended April 30, 2009 than was manufactured during the fiscal year ended April 30, 2008. The total cost to manufacture Oxycyte during fiscal year 2009 was $151,400 as compared to just $95,200 in manufacturing cost during fiscal year 2008; resulting in an increase in manufacturing costs of $56,200.

Total general and administrative expenses for fiscal year 2009 were $7,002,518 as compared to $1,992,687 for the prior year. The bulk of this $5,009,831 increase in general and administration costs were due to the increased use of professional consultants. The amount spent on professional consultants providing accounting, legal and regulatory advice to management during fiscal year 2009 was $3,287,911 as compared to just $128,758 for the prior fiscal year. This increase of $3,159,153 was needed because management was restructuring debt instruments, entering into long-term manufacturing agreements, and trying to raise capital. The cost of management incentives, such as stock options and stock awards, increased to $1,963,578 in fiscal year 2009 as compared to $1,260,362 in the prior year. This increase of $703,216 was primarily due to the options awarded as a result of closing the Glucometrics licensing agreement in the fall of 2008. The costs related to the manufacturing of Oxycyte increased by $348,415 because we needed an increased supply of Oxycyte in preparation of the start of clinical trials in Europe and Israel later this year.

Interest charges associated with the convertible notes and short-term notes, including amortization of the original issue discount, debt issue costs, common stock purchase warrant value and beneficial conversion features, aggregated to $24,856,041 for fiscal 2009 as compared to $3,611,902 for fiscal 2008. This increase is the result of significant note conversions in fiscal 2009 and amortization of the discounts and debt issue costs for the notes still outstanding as of April 30, 2009.

For the year ended April 30, 2009, we incurred a loss of $33,218,840 compared to a loss of $6,721,168 for the previous fiscal year.

Liquidity, capital resources and plan of operation

We have financed our operations since September 1990 through the issuance of debt and equity securities and loans from stockholders. As of April, 30, 2009, we had $2,745,084 in total current assets and working capital of $2,271,330, compared to $4,952,717 in total current assets and working capital of $4,687,726 as of April 30, 2008.

During fiscal year 2009, We raised $2,098,125 from the exercise of warrants

During the first and second quarters of fiscal year 2008, OBI financed operations by issuing two-year notes payable in the principal amount of approximately $282,055, on which the Company recorded an original issue discount of $16,417, and additional discounts of $67,969 related to the relative fair value of 2,815,763 warrants issued in the transaction. OBI recorded debt issue costs of $154,070 of which $120,223 was non-cash through the issuance of 1,431,000 warrants for capital raising services.

During the third quarter of fiscal year 2008, we received $1,000,000 from the issuance of short term bridge loans to fund operations and other working capital needs. The notes were unsecured and accrued interest at 10% per year. In addition, we issued five-year warrants to purchase 2,500,000 shares of common stock at $0.245 per share to investors. An additional discount of $288,750 was recorded for the relative fair value of the warrants. We also recorded debt issue costs of $288,750 for the value of 2,500,000 additional warrants issued for capital raising service fees. In January 2008 we exchanged our $1,000,000 bridge loans for five-year convertible notes with a face amount of $2,222,222. The notes are unsecured, convertible into shares of common stock at $0.247 per share, and were issued with a 55% original issue discount totaling $1,222,222. In addition, we issued five-year warrants to purchase 4,498,426 shares of common stock at $0.247 per share to investors. Additional discounts of $703,554 and $296,446 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively.

During the third quarter of fiscal year 2008, we exchanged its remaining outstanding short term loans for five-year convertible notes with a face amount of $3,982,545. The notes are unsecured, convertible into shares of common stock at $0.247 per share, and were issued with a 55% original issue discount totaling $2,190,400. In addition, we issued five-year warrants to purchase 8,061,831 shares of common stock at $0.247 per share to investors. Additional discounts of $1,035,945 and $756,200 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively. Pursuant to this exchange transaction, we recorded a debt extinguishment loss of $250,097.

During the third and fourth quarters of fiscal year 2008, OBI received a total of $6,335,000 proceeds from the sale of convertible notes, with a total face amount of $14,077,778. The notes are convertible at any time prior to maturity into a total of 56,995,053 shares of common stock, or $0.247 per share. In connection with the issuance of these obligations, OBI recorded a 55% original issue discount of $7,742,778, and additional discounts of $4,864,998 related to the relative fair value of the 28,497,501 five-year warrants to purchase common stock at $0.247 per share that were issued in the transaction, and $1,470,002 for the relative fair value of the embedded beneficial conversion feature. OBI also incurred total costs of $5,510,562 for capital raising services on these transactions. The costs of the capital raising services include a $369,215 cash fee, plus $768,337 for the fair value of 2,088,272 restricted shares of common stock, plus $4,373,010 for the fair value of warrants to purchase 21,853,086 common shares at prices ranging from $0.20 to $0.28.

During the last fiscal year, OBI issued 80,585,436 shares of common stock for the conversion of notes payable with a gross carrying value of $19,904,605 at a conversion price of $0.247 per share.

During the fiscal year ended April 30, 2009, net cash provided by financing activities was $2,100,199, primarily from the exercise of warrants. Net cash of $4,057,633 was used to fund operating activities and $367,327 was used for investing activities. Consequently, our cash and cash equivalents decreased from $4,880,633 at April 30, 2008 to $2,555,872 at April 30, 2009. We do not have any lines of credit or other borrowing arrangements with lenders.

We are in the pre-clinical and clinical trial stages in the development of our products. Under an Investigational New Drug application filed with the FDA, we completed Phase I clinical studies on Oxycyte in December 2003. The results of the Phase I study were in line with our expectations for the performance of Oxycyte. We submitted a report to the FDA along with a Phase II protocol, received FDA approval, and started Phase II testing in the fourth quarter of 2004, which is expected to continue through 2009 for Phase II-b studies in severe traumatic brain injury. Even if we are successful with our Phase II study, we must then conduct a Phase III clinical study and, if that is successful, file with the FDA and obtain approval of a Biologics License Application to begin commercial distribution, all of which will take more time and funding to complete. Our other products, must undergo further development and testing prior to submission to the FDA for approval to initiate clinical trials, which also requires additional funding. Management is actively pursuing private and institutional financing, as well as strategic alliances and/or joint venture agreements to obtain the necessary additional financing and reduce the cost burden related to the development and commercialization of our products. We expect our primary focus will be on funding the continued testing of Oxycyte, since this product is the furthest along in the regulatory review process. Our ability to continue to pursue testing and development of our products beyond 2009 depends on achieving license income, or obtaining outside financial resources. There is no assurance that needed license agreement, or financing will occur or that we will succeed in obtaining the necessary resources.

On June 8, 2009, Oxygen Biotherapeutics entered into a securities purchase agreement with Vatea Fund, Segregated Portfolio, an investment fund formed under the laws of the Cayman Islands (the “Financing Transaction”). Under the terms of the agreement, Vatea Fund purchased on July 10, 2009, 20 million shares of our restricted common stock at a price of $0.25 per share, or a total of $5 million. Furthermore, the agreement establishes milestones for the achievement of product development and regulatory targets and other objectives, after which Vatea Fund is required to purchase 60 million additional shares for $15 million. Including the initial investment in July 2009, and assuming all milestones are achieved in a timely manner, the Financing Transaction provides for the purchase of a maximum of 80 million shares being sold for $20 million. The number of shares issued is subject to adjustment for stock dividends, stock splits, reverse stock splits, and similar transactions.

In June 2009, OBI commenced a limited offering to persons holding outstanding warrants to purchase approximately 120.4 million common shares of OBI to exchange the warrants for cash and restricted common stock of OBI. On July 20, 2009, OBI closed the transaction. OBI acquired from 45 persons, and cancelled, 52.1 million common stock purchase warrants with an exercise price of $0.247 per share and an additional 18.8 million warrants with an exercise price of $0.245 per share, or a total of 70.9 million warrants. In exchange for the cancelled warrants OBI issued to the holders 35,456,500 shares of restricted common stock and paid to them $2,836,520 in cash.

Because of the agreement with the Vatea Fund, We believe we will have the working capital necessary to fund our operations through fiscal year April 30, 2010. But our ability to continue as a going concern depends on the success of the activities described above.

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations is based upon the financial statements presented in this report, which have been prepared in accordance with Generally Accepted Accounting Principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an on-going basis, we evaluate our estimates, including those related to stock-based compensation and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

Stock-Based Compensation –

We account for stock-based compensation as prescribed by of SFAS No. 123R, which requires stock options and warrants issued to employees and nonemployees to be valued using the fair value method. Under the fair value based method, compensation cost is recorded based on the value of the award at the grant date and is recognized over the service period.

The fair value of each option and warrant grant was estimated at the grant date using the Black-Scholes option-pricing model. The Black–Scholes option valuation model was developed for use in estimating the fair value of traded options and warrants that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility and expected term. Because our stock options and warrants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management’s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our stock options.

Convertible Notes –

If the conversion feature of conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature (“BCF”). A BCF is recorded by the Company as a debt discount pursuant to EITF Issue No. 98-5 (“EITF 98-05”), *Accounting for Convertible Securities with Beneficial Conversion Features or Contingency Adjustable Conversion Ratio*, and EITF Issue No. 00-27, Application of EITF Issue

No. 98-5 to Certain Convertible Instruments. In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. The Company amortizes the discount to interest expense over the life of the debt using the effective interest method.

Registration Payment Arrangements –

In connection with prior private placements of our common stock and warrants to purchase shares of our common stock, we entered into agreements that committed us to timely register the shares of common stock purchased as well as the shares underlying the issued warrants.

In accordance with EITF 00-19, *Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled In a Company's Own Stock*, when the potential cash penalties were included in registration payment arrangements, the estimated fair value of the warrants would be recorded as a liability, with an offsetting reduction to additional paid-in capital received from the private placement. The fair value of the warrants would be estimated using the Black-Scholes option pricing model.

Under EITF 00-19, the estimated fair value of the warrants would be re-measured at each reporting date and on the date of effectiveness of the related registration statement, with the increase in fair value recorded as other expense in our Statement of Operations.

In December 2006, the FASB issued FASB Staff Position, or FSP, EITF No. 00-19-2, *Accounting for Registration Payment Arrangements*. This FSP specifies that companies that enter into agreements to register securities will be required to recognize a liability if a payment to investors for failing to fulfill the agreement is probable and can be reasonably estimated. This accounting differs from the guidance in EITF 00-19, which required a liability to be recognized and measured at fair value, regardless of probability.

EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that we enter into or modify after the date of issuance of this FSP. For our registration payment arrangements and financial instruments subject to those arrangements that were entered prior to the issuance of this FSP, the guidance was effective beginning January 1, 2007.

Long-Lived Assets –

Our intangible assets consist of patents related to our various technologies. These assets are amortized on a straight-line method over their estimated useful life. We review these intangible assets for impairment at least annually or more often if events and circumstances warrant in accordance with SFAS No.144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144").

Recent Accounting Pronouncements –

SFAS No.159—In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* ("SFAS 159"), which permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of fiscal years after November 15, 2007. The Company adopted SFAS 159 on May 1, 2008, and does not believe it will materially affect its financial position or results of operations.

SFAS No. 141(R)—In December 2007, the FASB issued Statement No. 141(R), *Business Combinations*. This Statement replaces FASB Statement No. 141, *Business Combinations.* This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the *purchase method*) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Statement 141 did not define the acquirer, although it included guidance on identifying the acquirer, as does this Statement. This Statement's scope is broader than that of Statement 141, which applied only to business combinations in which control was obtained by transferring consideration. By applying the same method of accounting – the acquisition method – to all transactions and other events in which one entity obtains control over one or more other businesses, this Statement improves the comparability of the information about business combinations provided in financial reports. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Company is currently evaluating SFAS 141(R), and has not yet determined its potential impact on its future results of operations or financial position. The adoption of SFAS No. 141(R) did have a material affect on the company's financial position and results of operations.

SFAS No. 160—In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51* . This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this Statement was issued, limited guidance existed for reporting noncontrolling interests. As a result, considerable diversity in practice existed. So-called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This Statement improves comparability by eliminating that diversity. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The effective date of this Statement is the same as that of the related Statement 141(R). This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The Company is currently evaluating SFAS 160 and has not yet determined its potential impact on its future results of operations or financial position.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable, as management believes that OBI does not have instruments that are sensitive to market risk. Our debt instruments bear interest at fixed interest rates.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are set forth at the end of this report beginning with the index to financial statements on page F-1.

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable

ITEM 9A(T)—CONTROLS AND PROCEDURES

This Report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act of 1934 (the “Exchange Act”). See Exhibits 31.1 and 31.2. This Item 9A includes information concerning the controls and control evaluations referred to in those certifications.

Changes in Internal Controls

In April 2009 OBI created the position of Accounting Manager and staffed this position with an experienced Certified Public Accountant. The addition of this additional accounting professional allowed OBI to segregate duties in the accounting department and this enabled OBI to enhance the control environment. Also during the fourth quarter of fiscal year ended April 30, 2009 we increased the size of our board and added a board member that meets the definition of "independent" as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules, and added a non-director consultant to our audit committee that meets the definition of a "finance expert" as outlined under item 407(d) of Regulation S-K.

Management Plan to Remediate Material Weaknesses

In the first six months of fiscal year 2010, management is pursuing the implementation of corrective measures to address the material weaknesses described below. These measures, outlined below, are intended both to address the identified material weaknesses and to enhance our overall financial control environment.

- Implement a process for internal control testing as prescribed by the Sarbanes-Oxley Act of 2002. As a result of this internal control testing we will identify the remediation actions needed to allow us to implement an effective system of internal controls over financial reporting. Currently we are working on reviewing and revamping the policies and procedures.
- Implement remediation actions to allow for good entity level controls. In particular, we are working on a detailed entity level control matrix, and engaged the overall participation of the board of directors.
- We will evaluate the need for us to create a Chief Audit Executive function
- We will move all accounting function to one centralized location

We believe the remediation measures described above will remediate the material weaknesses we have identified and strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in rules promulgated under the Exchange Act, is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and affected by our 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 GAAP. Internal control over financial reporting 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 our assets
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our management assessed the effectiveness of our internal control over financial reporting as of April 30, 2009. In making its assessment, management used the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its assessment, management has concluded that we had certain control deficiencies described below that constituted material weaknesses in our internal controls over financial reporting. As a result, our internal control over financial reporting was not effective as of April 30, 2009.

A "material weakness" is defined under SEC rules as 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 a company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls. As a result of management's review of the investigation issues and results, and other internal reviews and evaluations that were completed after the end of fiscal year 2009 related to the preparation of management's report on internal controls over financial reporting required for this annual report on Form 10-K, management concluded that we had material weaknesses in our control environment and financial reporting process consisting of the following:

- We have not always consistently maintained final, complete and executed copies of significant contracts, including financing agreements, warrant and option agreements, and note agreements. We rely on a very small staff, and have been a party to numerous complex financing transactions that required significant changes to terms, which were not clearly and effectively processed and recorded as they occurred.
- Because of turnover in the accounting function during the fiscal year , we did not maintain a sufficient amount of knowledge of US Generally Accepted Accounting Principles, did not measure board committee performance against established charters, have not implemented an anonymous whistle-blower process, did not strengthen entity level controls, and did not utilize a formal financial reporting close process that ensured sufficient levels of review of all key financial statement reconciliations, significant judgment estimates and period end financial statements.

We do not believe the material weaknesses described above caused any meaningful or significant misreporting of our financial condition and results of operations for the fiscal year ended April 30, 2009. We note, however, that the material weaknesses are in our control environment and financial reporting process and could negatively impact our operating controls and procedures in future periods if they remain unaddressed by management. To address the material weakness described above, we have made significant changes to our control environment and financial reporting process. The changes are outlined below:

- We now process all transactions from a centralized location
- We now have two experienced Certified Public Accountants on staff

- We now require approval of all accounts payable invoices by a “C” level executive

- We now store all significant contracts, including financial agreements, warrants and option agreements, and note agreements in a centralized location

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B—OTHER INFORMATION

There is no information to report under this item for the quarter ended April 30, 2009.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and executive officers

Our officers and directors manage our business. The following persons are the officers and directors of Oxygen Biotherapeutics:

Name	Age	Position
Dr. Chris J. Stern, DBA	52	Chairman of the Board, Chief Executive Officer and Director
Dr. Richard M. Kiral, PhD	68	President, Chief Operating Officer, and Director
Dr. Bruce Spiess, MD, FAHA*	54	Director
Dr. Gerald L. Klein, MD*	62	Director
J. Melville Engle	59	Director
Charles H. Seeman, CPA	46	Chief Financial Officer and Executive Vice President Finance and Administration
Kirk Harrington	42	Vice President, Warfighter Division and Governmental Affairs.

Our directors serve for a term beginning with election and ending with resignation, removal by the stockholders, or election of a successor by the stockholders. Executive officers serve by appointment at the discretion of the board of directors.

*Dr. Bruce Spiess and Dr. Gerald Klein serve in duel capacities; they are both members of our board of directors and also members of our medical advisory board.

The following are brief biographies of each of our directors and officers.

In November 2007 Dr. Chris J. Stern joined Oxygen Biotherapeutics as Chairman of the Board. He became Chief Executive Officer in March 2008, and served briefly as Chief Financial Officer ad interim for the three months ending September 30, 2008. For the past twelve years Dr. Stern has been the principal of the Institute for Efficient Management, which he founded in 1996 to provide consulting services to business on strategic planning and global marketing. Since May 2001 Dr. Stern has served as a non-executive director on the Board of Directors of Klocke of America (contract packaging) in Ft. Myers, FL. From April 2000 to March 2007 he also served as a Director of Boehme Filatex, Inc. in Reidsville, NC (specialty chemicals). In January 1996 Dr. Stern became a faculty member and associate partner of the St. Gallen Business School, and St. Gallen Management Institute, two Swiss institutions for which he still selectively teaches executive seminars. From 1997 to 1999 he simultaneously took over the position of CEO of a billion dollar urban and private development company in Germany for restructuring. Dr. Stern developed his strategic management and planning skills during tenure at the consulting practice of Diebold from January 1990 until December 1995. Dr. Stern’s first engagements were in the textile industry where he was President and CEO of Textile Dynamics Corporation from 1985 to 1990, and had various positions in a small conglomerate from 1977 until 1984. Dr. Stern is a United States citizen born in Switzerland and therefore American and Swiss dual national. He holds an MBA from the Graduate School of Business Administration in Zurich, which is affiliated with the State University of New York at Albany, and a doctorate in business administration from Trinity University.

Dr. Richard Kiral became President and Chief Operating Officer of Oxygen Biotherapeutics in March 2008. For over five years prior to March 2008, he served as our vice president of research and development and has been responsible for developing products from Oxygen Biotherapeutics’s perfluorocarbon technology platforms. Throughout his career, Dr. Kiral has held senior management, research, and product development positions at leading pharmaceutical and medical device companies for more than 35 years. He began his career at Miles Laboratories (now Bayer) as a quality control chemist and advanced to the position of Manager of Analytical Systems Development for the company’s consumer healthcare and medical diagnostics divisions. As Director of Pharmaceutical Product Development at the McGaw division of American Hospital Supply Corporation, Dr. Kiral was responsible for the development of intravenous pharmaceuticals, infusion systems and clinically-based oral nutrition products. After leaving McGaw, Dr. Kiral joined Allergan Pharmaceuticals, a leading developer and manufacturer of vision care and dermatology products, where he held several senior management positions, including Vice President of R&D for the company’s Optical Division. While at Allergan, Dr. Kiral led a 100-person interdisciplinary R&D team in four US and European locations in the development of contact lenses and lens care products, many of which became market leaders. Prior to joining Oxygen Biotherapeutics, Inc, Dr. Kiral served as Vice President of R&D for Ioptex Research, a division of Smith & Nephew, which manufactured and marketed intraocular lenses and associated ophthalmic surgical products. In his position he was responsible for product development, R&D engineering, pilot manufacturing, and technical liaison with ophthalmologists. Dr. Kiral holds a Ph.D. in Analytical Chemistry from the University of Notre Dame in South Bend, Indiana and a B.S. degree in Chemistry from St. Vincent College in Latrobe, Pennsylvania. He is a cofounder of a pharmaceutical contract manufacturer in San Diego and currently serves on its Board of Directors.

Dr. Bruce D. Spiess, MD, FAHA, joined Oxygen Biotherapeutics as a consultant, member of the Board of Directors and Chair of the Medical Advisory Boardin March 2008. His undergraduate degree in biology was from Denison University in Granville, Ohio and his medical school training was received at Rush Medical College in Chicago. From there three years were spent at the Mayo Graduate School of medicine in Rochester, Minnesota. The last year of that training as chief resident was specialized in cardiovascular anesthesia. That training led to an instructor/assistant professorship back at Rush in Chicago where Dr. Spiess ran cardiac anesthesia and opened the new sub-specialty of liver transplant anesthesia at that university. In 1990 he was recruited to the University of Washington to be Chief of Cardiothoracic Anesthesia. In 1999 he left that position to take his present post at Virginia Commonwealth University Health Systems where he has served as Vice Chair of the Department of Anesthesiology, Chief of Cardiothoracic Anesthesia and Director of Research. Dr Spiess as director is particularly proud of the establishment of VCURES shock research center, a consortium of over 60 MD and PhD researchers. To date, VCURES has secured over 40 million dollars in extramural funding for shock research and patented/out licensed numerous medical technologies. His research has focused upon cardiac surgical care, coagulation dysfunction, blood transfusion, and the development of blood substitutes/oxygen therapeutics. Most recently he has been funded (for 7 years) by the United States Navy Office of Naval Research to investigate perfluorocarbon blood substitutes (PFC) as a treatment for decompression sickness and an adjunct to the US Navy disabled submarine initiative (DISSUB). Multiple usages for PFC’s including the treatment of traumatic brain injury, blast injury, cardiac arrest, sickle cell crisis, wound healing and other medical applications of enhanced oxygen delivery are underway. He has published over 200 peer reviewed academic articles, 25 book chapters and has edited five textbooks.

Dr. Gerald Klein became a director of Oxygen Biotherapeutics in March 2008. He has served as Vice President of Global Medical and Clinical Affairs and Chief Medical Officer for Talecris Biotherapeutics, headquartered in Research Triangle Park, North Carolina, since September 2005. His responsibilities there include global clinical development and medical affairs. For two years prior to September 2005, he was the Vice President of Medical Affairs and Clinical Research at Dey LP in Napa, California. Dr. Klein earned his medical degree from the University of Brussels Medical School in Belgium, and holds board certifications issued by the American Board of Pediatrics and the American Board of Allergy and Clinical Immunology. Dr. Klein completed his undergraduate work at the University of Florida and medical degree at the Free University of Brussels. He completed a pediatric residence at New Jersey College of Medicine and fellowship in Allergy and Immunology at the University of California, Irvine. Dr. Klein practiced Allergy in San Diego Country while being on the faculty of the University CA, Irvine. He became a professor of Clinical Medicine and Pediatrics, at that institution. While being on the clinical faculty, Dr. Klein published numerous peer reviewed papers, in allergy and asthma. He was also very active in national medical organizations as served on the Board of Regents of the

American College of Allergy, Asthma, and Clinical Immunology. While in practice, Dr. Klein founded San Diego Clinical Research Associates, a site management organization that he sold to Research Across America, as well as founding SDCRA, a contract research organization which was sold to Quintiles. He then joined Quintiles, as a Sr. Vice President, of clinical development. Dr. Klein spent four years there working on domestic as well as international clinical trials. After leaving Quintiles, Dr. Klein became an EVP at Clingenics, a combination of a CRO and pharmacogenomics company. During this time Dr. Klein founded Externa Pharmceutical Company, where he served as CEO. Dr. Klein was recruited to Specialty Laboratory, a large commercial and central laboratory, where he served as VP of Clinical Trials. Dr. Klein, together with some former employees from Specialty Labs, and Bay City Capital, founded Pathway Diagnostic and served as its executive vice president. He than moved to Napa, CA to join Dey LP as VP of Medical and Clinical Affairs in October 2003 and served there until September 2005 as described above.

J. Melville Engle joined Oxygen Biotherapeutics as a director in March 2009. Mr. Engle has over 27 years experience in leading both large and small companies. He has also raised money on Wall Street, launched hundreds of products, and has a broad management and financial background, including six years at Dey LP, where he was the firm's president and Chief Executive Officer. Dey LP a Napa California based specialty pharmaceutical company, is focused on the development and commercialization of products for respiratory, allergy, and other breathing disorders. Mr. Engle's background also includes senior executive positions with Merck Generics Group, a division of Merck KGaA, and Allergan, In 2002 the Securities and Exchange Commission advised Mr. Engle it intended to institute a cease and desist proceeding against him alleging violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934, and rules 12b-20, 13-a-1, 13a-13 and 13b2-1 adopted under the Securities Exchange Act of 1934, which pertain to the filing of periodic reports without false or misleading statements, proper and accurate recording and accounting for revenue and financial transactions, and establishing and maintaining internal accounting control procedures and processes designed to correctly record and report financial information and prevent fraud. Without admitting or denying the allegations, Mr. Engle agreed under a settlement offer to the entry of an order in January 2003 requiring him to cease and desist from committing or causing any future violations of the statutory provisions and rules noted above.

Charles H. Seeman, CPA became Chief Financial Officer and Executive Vice President Finance and Administration of the Oxygen Biotherapeutics in September 2008. Before that he was a senior manager with a large international Sarbanes-Oxley and Internal audit consulting firm and in this role helped Ford Motor Company restructure their entire Sarbanes-Oxley compliance program and Internal Audit function. Prior to working as a Sarbanes-Oxley and Internal Audit consultant, Mr. Seeman was with a very large personal computer manufacturing company located in the Raleigh-Durham area. Mr. Seeman joined the firm as a Senior Manager of Internal Audit and then was moved to their international business controls function. In the business controls function, Mr. Seeman was responsible for all the controls activity related to the area's of Accounting, Treasury and Tax Accounting. Before joining this large personal computer manufacturer, Mr. Seeman was the Chief Financial Officer of a mid-sized privately-held catalog company. Before that Mr. Seeman was the Director of Financial Reporting for a publicly traded on-line computer based services company. Prior to this, he was the Chief Financial Officer of a large privately-held textile manufacturer, where he both was appointed interim Chief Executive Officer and also worked to secure a buyer of the company when the sitting president became ill. Mr. Seeman began his career in public accounting: first with a large regional firm and then with a national big-four firm. Mr. Seeman ended his career in public accounting in a senior management role with national firm and had extensive experience in SEC reporting, private-placement financing. Mr. Seeman is a Certified Public Accountant and teaches accounting at various local colleges.

Kirk Harrington became an officer of Oxygen Biotherapeutics in March 2009. He is an 18-year army veteran who in 2006 was appointed by the United States Department of State as a senior advisor to the Government of Iraq. During this appointment, Mr. Harrington served as the sole diplomat to the Iraqi Ministries of Transportation, and Construction and Housing. In this role he oversaw every facet of Iraqi reconstruction efforts to include new implementation of roads, bridges, ports, airfields, and railroads. His background also includes lecturing on Middle Eastern affairs at the US Military Academy, West Point and he is a founding member of Emerging Foreign Market Collaboration, LLC Which is a New-York based government consulting firm.

Board meetings and committees: Code of Ethics

In the fiscal year ended April 30, 2009, the board of directors of Oxygen Biotherapeutics met six times and these meetings were attended by all of the directors. From time to time the directors also acted through written consents of the board.

The Audit Committee (the "Committee") is a standing committee of the Board of Directors. J. Melville Engle, a director and Edward Sitnik, an independent consultant, are its current members. The Committee is responsible for financial reporting matters, internal controls, and compliance with Oxygen Biotherapeutics' financial policies, and meets with its independent registered public accounting firm when appropriate. The Committee met four times in fiscal year 2009. The Board has determined that Edward Sitnik, a non-director consultant and member of the Committee, has the experience and qualifications to meet the standard for an "audit committee financial expert" within the meaning of Item 407(d)(5)(ii) of Regulation S-K.

The Compensation Committee is also a standing committee of the Board of Directors. This committee currently has two members, Dr. Gerald Klein and J. Melville Engle, and is responsible for compensation guidelines and policies and compliance with Oxygen Biotherapeutics' human resource policies. The committee was established in early 2009 and has met once during fiscal year 2009.

Our board of directors now has five members: Dr. Chris J. Stern is our Chairman and Chief Executive Officer, Dr. Richard M. Kiral is our President and Chief Operating Officer, and Dr. Bruce Spiess, Dr. Gerald Klein and J. Melville Engle are Directors. Dr. Spiess, Dr. Klein and J. Melville Engle are non-employee directors and compensated by consulting agreements. The Board has determined that one of its directors (J. Melville Engle) is "independent" under the criteria set forth in Rule 5065 (a) (2) of the Nasdaq Listing Rules. The board does not have a separately designated Nominating Committee, so the function of evaluating and nominating persons for election as directors and the function of evaluating and determining compensation arrangements for our officers, employees and consultants is performed by the entire Board.

Oxygen Biotherapeutics has adopted a Code of Ethics applicable to its Chief Executive Officer and Chief Financial Officer, a copy of which will be provided to any person, free of charge, upon request. A request for a copy of the Code of Ethics should be in writing and sent to Oxygen Biotherapeutics, Inc., Attn: Corporate Secretary, 2530 Meridian Parkway, Suite 3084, Durham, North Carolina 27713.

Changes in procedures for nominating directors

There have been no changes in procedures for nominating directors since the last time such procedures were reported in a filing with the Securities and Exchange Commission.

Section 16(a) filings

Section 16(a) of the Securities Exchange Act of 1934 requires officers and directors and persons who own more than ten percent of a class of its equity securities registered under Section 12 to file reports of ownership and changes in their ownership on Forms 3, 4, and 5 with the Securities and Exchange

Commission. Oxygen Biotherapeutics does not have a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934, so its officers, directors, and ten percent stockholders are not required to, and do not, file such reports.

ITEM 11—EXECUTIVE COMPENSATION

Summary of Compensation

The following table provides certain summary information concerning compensation earned for services rendered in all capacities to Oxygen Biotherapeutics for the fiscal years ended April 30, 2009, 2008 and 2007, by its Chief Executive Officer and the other most highly compensated executive officers of Oxygen Biotherapeutics ("Named Executive Officers"). This information includes the dollar amount of base salaries, bonus awards, stock options and all other compensation, if any, whether paid or deferred.

Name and Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Options Awards ($)(2)	All Other Compensation ($)	Total
Dr. Richard Kiral	2009	293,128	1,015	—	130,437	9,600	434,180
President & COO	2008	192,840	—	—	23,756	21,337	237,933
Product Development	2007	152,847	—	—	8,000	16,379	177,226
Dr. Chris J. Stern	2009	89,919	—	77,433	1,275,138	2,400	1,444,890
Chairman & CEO	2008	75,000	—	12,460	89,644	12,460	189,564
March 25, 2008 to present							
Charles H. Seeman, CPA CFO	2009	64,282	6,064	—	16,904	5,600	92,850
October 1, 2008 to present							

(1) Dr. Stern receives a grant of 14,000 shares per month as long as he serves on OBI's Board.

(2) The dollar values shown reflect the compensation cost of the awards, before reflecting forfeitures, over the requisite service period, as described in FAS 123(R), which we implemented May 1, 2006. Prior to adoption FAS 123(R), we did not record stock-based compensation expense directly in the financial statements. The assumptions we used in valuing these awards are described in Note G, to our Financial Statements included in this Form 10-K.

Option grants

In September 1999, the Company's Board of Directors approved the 1999 Stock Plan (the "1999 Plan") which provides for the granting of incentive and nonstatutory stock options to employees and directors to purchase up to 4,000,000 shares of the Company's common stock. The 1999 Plan was approved by stockholders on October 10, 2000. Options granted under the 1999 Plan are exercisable at various dates up to four years and have expiration periods of generally ten years. On June 17, 2008, the stockholders of OBI approved an amendment to the 1999 Plan to increase the number of shares of common stock available for awards under the plan from 4,000,000 to 12,000,000, to increase the maximum number of shares covered by awards granted under the 1999 Plan to an eligible participant from 4,000,000 shares to 5,000,000 shares, and to make additional technical changes to update the plan. Persons eligible to receive grants under the 1999 Plan consist of all of OBI's employees, including executive officers and employee directors. As of April 30, 2009 and 2008, OBI had 9,871,668 and 3,345,000 outstanding options under the 1999 Plan, respectively. As of April 30, 2009 and 2008, there were 2,128,332 and 665,000, respectively, options available for grant under the 1999 Plan.

In addition, Oxygen Biotherapeutics has issued options outside the 1999 Plan. At April 30, 2009 the total non-qualified options outstanding were 3,000,000 with a weighted average exercise price of $.28.

The following table summarizes certain information as of April 30, 2009 concerning the stock options granted to the Named Executive Officers during the fiscal year ended April 30, 2009. No stock appreciation rights, restricted stock awards or long-term performance awards have been granted as of April 30, 2009.

	Grant Date	Number of Securities Underlying Options (1)	Exercise Price of Option Awards ($/Sh)	Grant Date Fair Value of Option Awards ($)(2)
Dr. Richard Kiral	05/01/08	20,000	0.77	13,604
President & COO	06/01/08	20,000	0.88	15,846
	07/01/08	20,000	0.82	15,694
	08/01/08	20,000	0.74	9,708
	09/01/08	20,000	0.64	8,412
	10/01/08	20,000	0.36	4,780
	11/01/08	20,000	0.39	5,148
	12/01/08	20,000	0.31	4,084
	01/01/09	20,000	0.26	3,392
	01/09/09	50,000	0.26	11,925
	01/09/09	50,000	0.26	11,925
	01/09/09	50,000	0.26	11,925
	02/02/09	20,000	0.31	5,436
	03/01/09	20,000	0.26	4,560
	04/01/09	20,000	0.23	3,998
Dr. Chris J. Stern	09/22/08	4,000,000	0.42	1,275,138
Chairman & CEO				
Charles H. Seeman, CPA	12/23/08	50,000	0.46	14,905
CFO	04/01/09	10,000	0.23	1,999

(1) Each option listed in the table vests over a period ranging from immediate to three years and is exercisable over a ten-year period.

(2) The dollar values shown reflect the full compensation cost of the awards as described in FAS 123R using the assumptions outlined in Note G to our Consolidated Financial Statements included in this Form 10-K.

Outstanding Equity Awards

The following table sets forth certain information with respect to outstanding equity awards at April 30, 2009 with respect to the Named Executive Officers.

	Option Awards				Stock Awards	
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested ($)
Dr. Richard Kiral	100,000	—	$ 0.15	10/13/09	—	—
President & COO	75,000	—	$ 0.12	02/01/10	—	—
	250,000	—	$ 0.20	04/20/11	—	—
	75,000	—	$ 0.30	02/01/12	—	—
	75,000	—	$ 0.15	03/01/14	—	—
	75,000	—	$ 0.15	02/01/13	—	—
	75,000	—	$ 0.24	02/01/15	—	—
	75,000	—	$ 0.09	03/28/16	—	—
	50,000	25,000	$ 0.12	03/09/17	—	—
	50,000	100,000	$ 0.28	01/09/18	—	—
	20,000	—	$ 0.85	04/01/18	—	—
	20,000	—	$ 0.77	05/01/18	—	—
	20,000	—	$ 0.88	06/01/18	—	—
	20,000	—	$ 0.82	07/01/18	—	—
	20,000	—	$ 0.72	08/01/18	—	—
	20,000	—	$ 0.64	09/01/18	—	—
	20,000	—	$ 0.42	10/01/18	—	—
	20,000	—	$ 0.39	11/01/18	—	—
	20,000	—	$ 0.31	12/01/18	—	—
	20,000	—	$ 0.26	01/01/19	—	—
	—	150,000	$ 0.26	01/09/19	—	—
	20,000	—	$ 0.26	03/01/19	—	—
	20,000	—	$ 0.23	04/01/19	—	—
Dr. Chris J. Stern	1,000,000	—	$ 0.24	11/19/10	14,000	$ 12,460
Chairman & CEO	4,000,000	—	$ 0.24	09/22/18	—	—
Charles H. Seeman, CPA	—	50,000	$ 0.46	12/23/18	—	—
CFO	—	10,000	$ 0.23	04/01/19	—	—

Employment Contracts

The Board of Directors approved a new employment agreement with Chris Stern effective February 1, 2009, that supersedes all prior compensatory arrangements with Mr. Stern and his associates. The agreement is effective for a one-year term commencing February 1, 2009, and automatically renews for additional one-year terms, unless Mr. Stern terminates the agreement in advance of renewal or OBI gives Mr. Stern at least 120 days advance notice that it elects not to renew at the end of the then current term. Under the agreement Mr. Stern will receive as compensation an annual base salary of $300,000; a cash bonus equal to one percent of base salary for each two percent of OBI's annual goals and/or milestones achieved, which are established annually by the Board of Directors (provided, that no bonus is paid unless at least 100 percent of annual goals and/or milestones are achieved); 14,000 shares of the restricted common stock of OBI issued monthly; fixed monthly automobile allowance of $800; and fixed payment of $2,500 per month for secretarial and related office support.

If Mr. Stern ceases to be a director of OBI for any reason, he is entitled to receive $200,000 in cash and 100,000 restricted common shares. Furthermore, if Mr. Stern is terminated without cause or Mr. Stern terminates the agreement for good reason, then he is entitled to receive one-year of base salary, all bonuses then payable, and the economic value of the replacement cost for one-year of the other benefits under the agreement, and he has the right to exercise immediately all outstanding options, vested and unvested, on the terms set forth in the options he holds, including "cashless exercise" through conversion of the options to common shares based on the difference between market price and exercise price. In connection with the adoption of this agreement, OBI agreed that options previously issued to Mr. Stern to purchase 1,000,000 common shares at an exercise price of $0.245 per share and a three-year term are extended to November 2017, options to purchase 4,000,000 common shares at an exercise price of $0.245 per share and a three-year term are extended to September 2018, and all of the options are amended to allow for "cashless exercise" through conversion of the options to common shares based on the difference between market price and exercise price. In the fourth quarter of the year ending April 30, 2009, OBI recognized an additional expense of $408,868 due to the revaluation of these previously granted option agreements.

Dr. Richard Kiral served as Vice President of Product Development through much of fiscal year 2008 for which he was compensated at the rate of $167,000 per year and was paid additional compensation in the form of an automobile allowance, medical and dental coverage, participation in the Executive Bonus Plan, $200,000 life insurance paid for by the corporation and payable to a beneficiary named by the insured, and the grant of an option for 75,000 shares annually. Effective March 25, 2008, the Board appointed Dr. Kiral to serve as President and Chief Operating Officer of the Company.

Pursuant to an agreement executed on March 26, 2008 and restated February 1, 2009, Dr. Kiral's employment with Oxygen Biotherapeutics is for an initial one-year term renewing February 1, 2009 and automatically renewing for an additional one-year term unless Dr. Kiral terminates the agreement in advance of the renewal or Oxygen Biotherapeutics gives Dr. Kiral at least 120 days advance notice that it elects not to renew for another term. The agreement automatically terminates at or after attainment of age 70 (retirement age). Under the agreement Dr. Kiral will receive the following compensation package:

- Annual base salary of $240,000.
- Cash bonus equal to one percent of base salary for each two percent of Oxygen Biothyerapeutics annual goals and / or milestones achieved, which are established annually by the Board of Directors provided that no bonus is paid unless 100 % of annual goals and /or milestones are achieved.
- Issuance on the first day of each month commencing April 1, 2008 of options to purchase 20,000 common shares with the exercise price based on market value.
- Annual grant of options to purchase 150,000 common shares with an exercise price based on market value.
- Fixed monthly automobile allowance of $800.
- Medical and dental insurance under plans for the other officers of Oxygen Biotherapeutics.
- Right to participate in pension, retirement, insurance stock, and other plans established from time to time for the participation of all full-time employees of Oxygen Biotherapeutics.
- Four weeks paid vacation each year.
- If Dr. Kiral ceases to be a director of Oxygen Biotherapeutics for any reason, he is entitled to receive $200,000 in cash and 100,000 restricted common shares.
- If Dr. Kiral is terminated without cause or Dr. Kiral terminates the agreement for good reason, then he is entitled to receive one-year of base salary, all bonuses then payable, and the economic value of the replacement cost for one-year benefits under the agreement, and he has the right to exercise immediately all outstanding options, vested and unvested on the terms set forth in the options he holds, including "cashless exercise" through conversion of the options to common shares based on the difference between market price and exercise price.
- For purposes of the agreement "cause" means willful misconduct, conflict of interest or breach of fiduciary duty or a material breach of any provision of the employment agreement, and "good reason" includes Oxygen Biotherapeutics giving notice to Dr. Kiral it does not intend to renew agreement at the end of the then current term, any person or group acquires 25% or more in the outstanding stock ownership, there is a change in a majority of the Board, there is a merger or sale of substantially all the assets, or there is a breach of certain terms of the agreement by Oxygen Biotherapeutics.

We have agreed to pay Charles H. Seeman an annual salary of $120,000, as well as an $800 per month car allowance, participation in our employee benefit plans, and other customary benefits. We will also pay Mr. Seeman a $30,000 cash bonus within fifteen days following the filing of our first periodic report under the Securities Exchange Act of 1934 that reports our disclosure controls and procedures are effective, provided such periodic report is filed before September 22, 2009. We will pay an additional bonus of $10,000 on or before October 7, 2009, if all required reports under the Securities Exchange Act of 1934 are filed during the one-year period ending September 22, 2009 within applicable deadlines, subject to Mr. Seeman's continued employment on September 22, 2009. Mr. Seeman was granted an option effective December 23, 2008 under our 1999 Amended Stock Plan to purchase 50,000 common shares that will vest, subject to continued employment, on September 23, 2009, and be exercisable for a term of three years from vesting at an exercise price of $0.46 per share, which was market price on the date of employment. Subject to his continued employment we will grant options under the 1999 Amended Stock Plan to Mr. Seeman annually in September to purchase 50,000 common shares that will vest, subject to continued employment, one year following the date of grant and be exercisable for a term of three years from vesting at an exercise price equal to the market price for the common stock on the trading day prior to the date of grant.

Director Compensation

The following table summarizes the compensation paid to directors who are not executive officers for the year ended April 30, 2009.

Name	Fees Earned or Paid in Cash	Option Awards (1)	Total
Dr. Bruce Spiess—Director	$ 108,000	$ 97,140	$205,140
Dr. Gerald Klein—Director	$ 108,000	$ 97,140	$205,140
J. Melville Engle—Director	$ 18,000	$	$ 18,000

(1) The dollar values shown reflect the compensation cost of the awards, before reflecting forfeitures, over the requisite service period, as described in FAS 123(R), which we implemented May 1, 2006. Prior to adoption FAS 123(R), we did not record stock-based compensation expense directly in the financial statements. The assumptions we used in valuing these awards are described in Note G to our Consolidated Financial Statements included in this Form 10-K.

(2) J. Melville Engle was appointed to OBI's Board of Directors on March 18, 2009.

Oxygen Biotherapeutics has agreed to pay to each of Drs. Klein and Spiess a consulting fee of $200/hour, with the expectation of using and paying for approximately $9,000 of services per month. We issued to each of Dr. Spiess and Dr. Klein, as of the date of their respective elections, options to purchase 300,000 common shares at an exercise price of $0.30 per share that expire three years from the date of grant. We further agreed that if in the next two years Oxygen Biotherapeutics enters into a license agreement for its technology or is sold, it will also issue to each of Dr. Klein and Dr. Spiess at the closing of the transaction options to purchase an additional 300,000 common shares at an exercise price of $0.30 per share that expire three years from the date of grant. In September 2008, we entered into a license agreement pertaining to our biosensor implant product, and we issued an option on 300,000 shares to each of Drs. Klein and Spiess. Oxygen Biotherapeutics has agreed to pay to Mr. Engle a consulting fee of $200/hour, with a minimum monthly retainer of $9,000. With respect to Mr. Engle, we issued to Mr. Engle an option to purchase 600,000 shares at an exercise price of $0.23 per share that expires March 17, 2012, of which options on 300,000 shares vested in March 2009, and the remaining options vest on the earlier of March 17, 2010, and the date Oxygen Biotherapeutics enters into a license agreement for one of its products or technologies (in each case subject to Mr. Engle still serving as a director on such date).

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of July 29, 2009 the number and percentage of the outstanding shares of common stock and warrants and options that, according to the information supplied to Oxygen Biotherapeutics, were beneficially owned by (i) each person who is currently a director, (ii) each executive officer, (iii) all current directors and executive officers as a group and (iv) each person who, to the knowledge of Oxygen Biotherapeutics, is the beneficial owner of more than five percent of the outstanding common stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

Name and Address	Common Shares	Percent of Class (1)
Principal stockholders		
Aventis Invest (2) Limmatquai 72 Postfach 8022 Zurich, Switzerland	16,148,270	5.2%
Vatea Fund, Segregated Portfolio (3) Rue Du Borgeaud 10-B Gland, Switzerland 1196	20,000,0000	6.8%
Officers and directors		
Dr. Chris J. Stern (4) 9431 Oglebay Court Raleigh, N.C. 27617	5,173,351	1.0%
Dr. Gerald L. Klein (4) 3044 Wyntre Ridge Way Raleigh, NC 27606	600,000	0.2%
Dr. Bruce Spiess (4) 620 Dover Bluff Court Manakin-Sabat, VA 23103	600,000	0.2%
Dr. Richard Kiral (4) 25505 Nottingham Ct. Laguna Hills, CA 92653	1,435,000	0.4%
Charles H. Seeman, CPA (4) 6516 Austin Creek Drive Wake Forest, NC 27587	60,000	0.0%
J. Melville Engle (4) 1 Remington Court Napa, CA 94558	300,000	0.1%
Kirk Harrington (4) 52-18 Van Loon Street Apartment 4-B Elmhurst, NY 11373	30,000	0.0%
All Officers and Directors (7 persons)	8,198,351	1.9%

(1) These figures represent the percentage of ownership of the named individuals assuming each of them alone has exercised his options, and percentage ownership of all officers and directors as a group assuming all purchase rights held by such individuals are exercised.

(2) The figure for Aventis Invest includes warrants to purchase 1,648,352 common shares that expire March 2011, warrants to purchase 3,296,704 common shares that expire March, 2011, warrant to purchase 3,296,704 common shares that expire May 2011, warrants to purchase 2,250,714 shares that expire August 2011, warrants to purchase 3,750,000 shares that expire January 2012, and warrants to purchase 5,202,500 shares that expire April 2012. All of these warrants to purchase common shares have a price of $0.245 per share. Roland Schaub is the manager of Aventis Invest who exercises investment and voting control over the securities held by Aventis Invest.

(3) Gregory Pepin is an Investment Manager for Vatea Fund, Segregated Portfolio, so Mr. Pepin may be deemed to hold voting and investment control with respect to the shares held by Vatea Fund. Mr. Pepin is also a Senior Vice President of Melixia SA, which is the holder of 1,000,000 shares of OBI common stock, but Vatea Fund disclaims any control or beneficial interest with respect to said shares.

(4) These figures include vested options: for Dr. Stern options to purchase 5,000,000 shares of common stock; for Dr. Klein options to purchase 600,000 shares of common stock; for Dr. Kiral options to purchase 1,435,000 shares of common stock, for Dr. Spiess options to purchase 600,000 shares of common stock, for Mr. Seeman options to purchase 60,000 shares of common stock, for Mr. Engle option to purchase 300,000 shares of common stock, and for Mr. Harrington options to purchase 30,000 shares of common stock.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

None

Director Independence

Our Board of Directors has five members. Dr. Chris J. Stern is our Chairman and Chief Executive Officer, Dr. Richard M. Kiral is our President and Chief Operating Officer, and Dr. Bruce Spiess, Dr. Gerald Klein, and J. Melville Engle are Directors. Dr. Spiess, and Dr. Klein are non-employee directors and compensated by consulting agreements. The Board has determined that one of its directors (J. Melville Engle) is “independent” under the criteria set forth in Rule 5605(a)(2) of the Nasdaq Listing Rules.

ITEM 14—PRINCIPAL ACCOUNTANT FEES AND EXPENSES

The aggregate fees billed for professional services by professional accounting firms in 2009 and 2008 were as follows:

	2009	2008
Audit Fees	$261,164	$ 93,640
Tax Fees(1)	$ 5,470	$ 9,913
Total	$266,634	$103,553

(1) Tax return and related service

It is our Board of Directors' policy and procedure to approve in advance all audit engagement fees and terms and all permitted non-audit services provided by our independent registered public accounting firm. We believe that all audit engagement fees and terms and permitted non-audit services provided by our independent registered public accounting firm as described in the above table were approved in advance by our Board of Directors.

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PART IV

ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

(a) Reports of Independent Registered Public Accounting Firm.

(b) Balance Sheets as of April 30, 2009 and 2008.

(c) Statements of Operations for each of the two years ended April 30, 2009 and April 30, 2008 and for the period May 26, 1967 (Date of Inception) to April 30, 2009.

(d) Statements of Stockholders' Equity (Deficit) for each of the two years ended April 30, 2009 and April 30, 2008 and for the period May 26, 1967 (Date of Inception) to April 30, 2009.

(e) Statements of Cash Flows for each of the two years ended April 30, 2009 and April 30, 2008 and for the period May 26, 1967 (Date of Inception) to April 30, 2009.

(f) Notes to the Financial Statements.

INDEX TO EXHIBIT

Exhibit No.	Exhibits Required by Item 601 of Regulation S-K
2.1	Agreement and Plan of Merger dated April 28, 2008 (1)
3.1	Certificate of Incorporation (1)
3.2	Bylaws (1)
10.1	Agreement with Leland C. Clark, Jr., Ph.D. dated November 20, 1992 with amendments, Assignment of Intellectual Property/ Employment (2)
10.2	Agreement between the Registrant and Keith R. Watson, Ph.D. Assignment of Invention (2)
10.3	Children's Hospital Research Foundation License Agreement dated February 28, 2001 (2)
10.4	Form of Option issued to Executive Officers and Directors (2)
10.5	Form of Option issued to Employees (2)
10.6	Form of Warrant issued to Unsecured Note Holders 2006-2007 (3)
10.7	Form of Convertible Note – 2008 (4)
10.8	Form of Warrant issued to Convertible Note Holders (4)
10.9	Form of Purchase Agreement – US Purchase (without exhibits, which are included as exhibits 10.8 and 10.9, above) (4)
10.10	Form of Purchase Agreement – Non-US Purchase (without exhibits, which are included as exhibits 10.8 and 10.9, above) (4)
10.11	Form of Purchase Agreement – US Note Exchange (without exhibits, which are included as exhibits 10.8 and 10.9, above) (4)
10.12	Form of Purchase Agreement – Non-US Note Exchange (without exhibits, which are included as exhibits 10.8 and 10.9, above) (4)
10.13	Form of Warrant issued to Financing Consultants (5)
10.14	1999 Amended Stock Plan (amended 2008) (5)
10.15	Engagement Letter with Chris J. Stern dated November 19, 2007, as amended March 26, 2008 (5)
10.16	Business Consultant Agreement with Institute for Efficient Management, Inc., as amended March 26, 2008 (5)
10.17	Employment Agreement with Richard Kiral, as amended March 26, 2008 (5)
10.18	Engagement and Consulting Agreement with Bruce Spiess (5)
10.19	Engagement and Consulting Agreement with Gerald L. Klein (5)
10.20	Business Consultant Agreement with Edward Sitnik
10.21	Agreement with Hospira to manufacture Oxycyte
10.22	Business Consultant Agreement with J. Melville Engle
10.23	Employment Agreement with Kirk Harrington
10.24	Employment Agreement with Charles H. Seeman, CPA
10.25	Employment Agreement with Richard Kiral, restated February 1, 2009
10.26	Securities Purchase Agreement (including exhibits) between OBI and Vatea Fund, Segregated Portfolio dated June 8, 2009 (6)
10.27	Form of Exchange Agreement dated July 20, 2009 (7)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

(1) These documents were filed as exhibits to the current report on Form 8-K filed by Oxygen Biotherapeutics with the SEC on June 30, 2008, and are incorporated herein by this reference.

(2) These documents were filed as exhibits to the annual report on Form 10-K filed by Oxygen Biotherapeutics with the SEC on August 13, 2004, and are incorporated herein by this reference.

(3) These documents were filed as exhibits to the current report on Form 8-K filed by Oxygen Biotherapeutics with the SEC on September 6, 2006, and are incorporated herein by this reference.
(4) These documents were filed as exhibits to the quarterly report on Form 10-Q filed by Oxygen Biotherapeutics with the SEC on March 21, 2008, and are incorporated herein by this reference.
(5) These documents were filed as exhibits to the annual report on Form 10-K filed by Oxygen Biotherapeutics with the SEC on August 13, 2008, and are incorporated herein by this reference.
(6) This document was filed as an exhibit to the current report on Form 8-K filed by Oxygen Biotherapeutics with the SEC on June 8, 2009.
(7) This document was filed as an exhibit to the current report on Form 8-K filed by Oxygen Biotherapeutics with the SEC on July 21, 2009.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

OXYGEN BIOTHERAPEUTICS, INC.

August 12, 2009

/s/ Chris J. Stern

Chris J. Stern, Chief Executive Officer
(Principal Executive Officer)

August 12, 2009

/s/ Charles H. Seeman, CPA

Charles H. Seeman, CPA Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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 in the capacities and on the dates indicated.

/s/ Chris J. Stern — Date: August 12, 2009
Chris J. Stern, Director

/s/ Richard M. Kiral — Date: August 12, 2009
Richard M. Kiral, Director

/s/ Gerald L. Klein — Date: August 12, 2009
Gerald L. Klein, Director

/s/ Bruce Spiess — Date: August 12, 2009
Bruce Spiess, Director

/s/ J. Melville Engle — Date: August 12, 2009
J. Melville Engle, Director

Supplemental Information to Be Furnished With Reports Filed Pursuant to Section 15(d) of the Act By Registrants Which Have Not registered Securities Pursuant to Section 12 of the Act

INDEX TO FINANCIAL STATEMENTS

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HASKELL & WHITE LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Oxygen Biotherapeutics, Inc.

We have audited the accompanying balance sheet of Oxygen Biotherapeutics, Inc., formerly Synthetic Blood International, Inc. (a development-stage enterprise) (the "Company") as of April 30, 2008, and the related statements of operations, stockholders' equity and cash flows for the year ended April 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oxygen Biotherapeutics, Inc., formerly Synthetic Blood International Inc. as of April 30, 2008, and the results of its operations and its cash flows for the year ended April 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is a development stage enterprise presently generating no revenues, has a significant deficit accumulated during the development stage, and requires substantial additional funds to complete clinical trials and pursue regulatory approvals. In view of these matters, recoverability of a major portion of the recorded asset amounts shown in the accompanying April 30, 2008 balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing, and to generate cash from future operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Haskell & White LLP
HASKELL & WHITE LLP

Irvine, California
August 12, 2008

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www.hwcpa.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Oxygen Biotherapeutics, Inc.

We have audited the accompanying consolidated balance sheet of Oxygen Biotherapeutics, Inc., formerly, Synthetic Blood International, Inc. (a development-stage enterprise) (the "Company"), as of April 30, 2009, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended, and for the period from inception, May 26, 1967, through April 30, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The Company's statement of operations, stockholders' equity (deficit) and cash flows for the period from inception, May 26, 1967, through April 30, 2008, were audited by other auditors whose report dated August 12, 2008, includes an explanatory paragraph regarding substantial doubt about the company's ability to continue as a going concern. The financials for the period from inception, May 26, 1967, through April 30, 2008, reflect cumulative net losses of $37,741,362. The other auditors report has been previously furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for such prior periods, is based solely on the report of other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oxygen Biotherapeutics, Inc., formerly Synthetic Blood International, Inc. as of April 30, 2009, and the results of its operations and its cash flows for the year then ended, and from the period from inception, May 26, 1967, through April 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company is a development stage enterprise presently generating no operating revenues, has a significant deficit accumulated during the development stage, and requires substantial additional funds to complete clinical trials and pursue regulatory approvals. In view of these matters, recoverability of a major portion of the recorded asset amounts shown in the accompanying April 30, 2009 consolidated balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing, and to generate cash from future operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note A. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry Bekaert + Holland LLP.

Raleigh, North Carolina
August 12, 2009

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

	April 30, 2009	April 30, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,555,872	$ 4,880,633
Accounts receivable	32,286	—
Prepaid expenses	156,926	72,084
Total current assets	2,745,084	4,952,717
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $666,388 and $599,448, respectively	210,355	177,605
DEBT ISSUANCE COSTS, net of accumulated amortization of $5,476,779 and $213,234, respectively	33,783	5,297,289
PATENTS AND LICENSE RIGHTS, net of accumulated amortization of $100,898 and 220,062, respectively	650,222	129,102
OTHER ASSETS	163,393	—
	$ 3,802,837	$ 10,556,713
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 195,569	$ 63,907
Related party payables	—	103,000
Accrued liabilities	241,518	54,453
Notes payable	36,666	43,631
Total current liabilities	473,753	264,991
LONG TERM PORTION of convertible debentures, net of unamortized discount of $124,152 and $19,716,686, respectively	227,715	539,786
Total liabilities	701,468	804,777
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, undesignated, authorized 10,000,000 shares; none issued or outstanding	—	—
Common stock, par value $.0001 per share; authorized 400,000,000 shares; issued and outstanding 236,025,200 and 146,405,576 respectively	23,621	1,464,056
Additional paid-in capital	74,037,950	46,029,242
Deficit accumulated during the development stage	(70,960,202)	(37,741,362)
Total stockholders' equity (deficit)	3,101,369	9,751,936
	$ 3,802,837	$ 10,556,713

The accompanying notes are an integral part of these Consolidated Financial Statements.

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Period from May 26, 1967 (inception) to April 30, 2009	Year ended April 30, 2009	2008
OPERATING EXPENSES AND LOSSES			
Research and development expense	$ 13,956,252	$ 1,598,807	$ 939,998
General and administrative expense	25,900,034	7,002,518	1,992,687
Loss on impairment of long-lived assets	32,113	—	32,113
Total operating expenses and losses	39,888,399	8,601,325	2,964,798
INTEREST EXPENSE	31,984,948	24,856,041	3,611,902
LOSS ON EXTINGUISHMENT OF DEBT	250,097	—	250,097
OTHER INCOME	(1,163,242)	(238,526)	(105,629)
NET LOSS	$(70,960,202)	$ (33,218,840)	$ (6,721,168)
NET LOSS PER SHARE, basic		$ (0.19)	(0.05)
NET LOSS PER SHARE, diluted		$ (0.19)	(0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic		173,270,340	141,482,244
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, diluted		173,270,340	250,012,892

The accompanying notes are an integral part of these Consolidated Financial Statements.

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the two years ended April 30, 2009

	Common stock		Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficit)
	Number of Shares	Amount				
BALANCES, April 30, 2007	139,854,859	$ 1,398,549	$29,598,533	$ —	$(31,020,194)	$ (23,112)
Warrants issued for services rendered	—	—	4,781,983	—	—	4,781,983
Common stock issued for services rendered	2,088,272	20,883	747,455	—	—	768,338
Common stock issued for compensation	14,000	140	12,320	—	—	12,460
Common stock issued for convertible debt	1,333,887	13,339	116,661	—	—	130,000
Compensation on options and warrants issued	—	—	769,331	—	—	769,331
Warrants issued with convertible debt	—	—	7,290,352	—	—	7,290,352
Beneficial conversion on convertible debt	—	—	2,522,648	—	—	2,522,648
Exercise of warrants and options	3,114,558	31,145	189,959	—	—	221,104
Net loss	—	—	—	—	(6,721,168)	(6,721,168)
BALANCES, April 30, 2008	146,405,576	$ 1,464,056	$46,029,242	$ —	$(37,741,362)	$ 9,751,936
Common stock issued for convertible debt	80,585,436	21,699	19,882,906	—	—	19,904,605
Issuance of common stock to employees	141,302	428	77,005	—	—	77,433
Issuance of common stock for services	411,250	41	296,059			296,100
Compensation on options issued	—	—	1,963,578	—	—	1,963,578
Issuance of warrants	—	—	2,228,432	—	—	2,228,432
Exercise of warrants and options	8,481,636	78,511	2,019,614	—	—	2,098,125
Common stock par value change	—	(1,541,114)	1,541,114	—	—	—
Net loss	—	—	—	—	(33,218,840)	(33,218,840)
BALANCES, April 30, 2009	236,025,200	$ 23,621	$74,037,950	$ —	$(70,960,202)	$ 3,101,369

The accompanying notes are an integral part of these Consolidated Financial Statements.

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the period May 26, 1967 (date of inception) to April 30, 2009

	Common stock		Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficit)
	Number of Shares	Amount				
BALANCES, May 26, 1967	—	$ —	$ —	$ –	$ —	$ —
Common stock sold, net of offering costs	105,603,252	1,056,032	16,683,920	—	—	17,739,952
Common stock issued for convertible debt	99,765,016	213,495	23,058,631	—	—	23,272,126
Issuance of common stock to employees and compensatory options	374,102	2,756	1,848,420	—	—	1,851,176
Compensation on options and warrants issued	—	—	3,380,239	(237,834)	—	3,142,405
Amortization of deferred compensation	—	—	—	237,834	—	237,834
Issuance of common stock for services rendered	3,768,516	33,614	1,328,309	—	—	1,361,923
Issuance of common stock to officers to retire shareholder loans	1,044,450	10,444	177,556	—	—	188,000
Common stock issued in conjunction with funding agreements and services rendered	5,376,365	53,764	883,160	—	—	936,924
Issuance of warrants and options	—	—	9,367,910	—	—	9,367,910
Exercise of warrants and options	17,093,499	164,630	2,839,000	—	—	3,003,630
Contributions of capital for cash and services rendered	—	—	65,700	—	—	65,700
Contributions of capital by shareholders	—	—	581,818	—	—	581,818
Beneficial conversion on convertible debt	—	—	3,292,648	—	—	3,292,648
Warrants issued with debt instruments	—	—	8,619,525	—	—	8,619,525
Issuance of common stock for promissory notes	3,000,000	30,000	370,000	—	—	400,000
Common stock par value change	—	(1,541,114)	1,541,114	—	—	—
Net loss	—	—	—	—	(70,960,202)	(70,960,202)
BALANCES, April 30, 2009	236,025,200	$ 23,621	$74,037,950	$ —	$(70,960,202)	$ 3,101,369

The accompanying notes are an integral part of these Consolidated Financial Statements.

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from May 26, 1967 (inception) to April 30, 2009	Year ended April 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(70,960,202)	$(33,218,840)	$(6,721,168)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	1,442,474	20,475	102,455
Amortization of deferred compensation	336,750	—	—
Interest on debt instruments	31,594,854	24,856,041	3,521,767
Loss (gain) on debt settlement and extinguishment	163,097		250,097
Loss on impairment of long-lived assets	32,113		32,113
Loss on disposal and write down of property and equipment and other assets	219,305	—	—
Issuance and vesting of compensatory stock options and warrants	6,899,304	3,838,510	769,331
Issuance of common stock below market value	695,248	—	—
Issuance of common stock as compensation	385,993	373,533	12,460
Issuance of common stock for services rendered	1,265,279	—	—
Issuance of note payable for services rendered	120,000	—	—
Contributions of capital through services rendered by stockholders	216,851	—	—
Changes in operating assets and liabilities			
Prepaid expenses and other assets	(86,482)	(134,042)	110,868
Accounts payable and accrued liabilities	643,644	206,690	(354,132)
Net cash used in operating activities	(27,031,772)	(4,057,633)	(2,276,209)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(1,267,540)	(99,691)	(83,947)
Capitalization of patent costs	(985,229)	(267,636)	(18,154)
Net cash used in investing activities	$ (2,252,769)	$ (367,327)	$ (102,101)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock and exercise of stock options and warrants, net of related expenses	$ 20,934,751	$ 2,098,125	221,104
Repayments of amounts due stockholders	(121,517)	—	—
Proceeds from stockholder notes payable	977,692	—	—
Proceeds from former officer loans	39,500		39,500
Repayments of former officer loans	(39,500)		(39,500)
Proceeds from issuance of notes payable, net of issuance costs	2,194,565	90,145	231,833
Proceeds from convertible debentures, net of issuance costs	8,807,285		6,865,785
Payments on notes - short-term	(661,054)	(88,071)	(76,013)
Payments on notes - long term	(291,309)	—	—
Net cash provided by financing activities	31,840,410	2,100,199	7,242,709
Net change in cash and cash equivalents	2,555,872	(2,324,761)	4,864,399
Cash and cash equivalents, beginning of period	—	4,880,633	16,234
Cash and cash equivalents, end of period	$ 2,555,872	$ 2,555,872	$ 4,880,633
Cash paid for:			
Interest	$ 244,624	$ 2,769	$ 90,135
Income taxes	$ 27,528	$ 6,789	$ 766

The accompanying notes are an integral part of these Consolidated Financial Statements.

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Non-cash financing activities during the year ended April 30, 2009:

(1) The Company made principal payments on its convertible debentures with a gross carrying value of $19,904,605 through the issuance of 80,585,436 shares of common stock. The Company recognized interest expense of $21,775,567 for the unamortized discounts and debt issue costs associated with the converted debentures.

Non-cash financing activities during the year ended April 30, 2008:

(1) In connection with the issuance of $282,055 of 2-year notes payable, the Company recorded discounts on notes payable related to the original issue discount of $16,417, and additional discounts of $67,969 related to the relative fair value of 2,815,763 warrants issued in the transaction. The Company recorded debt issue costs of $170,686, of which $120,223 was non-cash through the issuance of 1,431,000 warrants for capital raising services.

(2) The Company made principal payments on its convertible debentures with a gross carrying value of $156,060 through the issuance of 1,333,887 shares of common stock. These debentures included discounts totaling $26,060, and thus had a net carrying value of $130,000.

(3) The Company issued 2,193,148 shares of common stock in cashless exercises of 300,000 options and 8,455,333 warrants.

(4) In connection with the issuance of a $1,000,000 short term bridge loan, the Company issued 5-year warrants to purchase 2,500,000 shares of common stock at $0.245 per share to investors. An additional discount of $288,750 was recorded for the relative fair value of the warrants. The Company also recorded debt issue costs of $288,750 for the value of 2,500,000 additional warrants issued for capital raising services.

(5) In connection with the exchange of its $1,000,000 bridge loans for 5-year convertible debentures with a face amount of $2,222,222, the Company recorded an original issue discount of $1,222,222. In addition, the Company issued 5-year warrants to purchase 4,498,426 shares of common stock at $0.247 per share to investors. Additional discounts of $703,554 and $296,446 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively.

(6) In connection with the exchange of its remaining outstanding short term loans for 5-year convertible debentures with a face amount of $3,982,545, the Company recorded an original issue discount of $2,190,400. In addition, the Company issued 5-year warrants to purchase 8,061,831 shares of common stock at $0.247 per share to investors. Additional discounts of $1,035,945 and $756,200 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively. Pursuant to this refinancing transaction, the Company recorded a debt extinguishment loss of $250,097.

(7) The Company financed the prepayment of certain insurance premiums with a short-term note totaling $119,644. The Company repaid a total of $76,013 on this note during the year ended April 30, 2008.

(8) In connection with the issuance of $6,335,000 of convertible debentures with a total face amount of $14,077,778, the Company recorded an original issue discount of $7,742,778, and additional discounts of $4,864,998 related to the relative fair value of the 28,497,501 5-year warrants to purchase common stock at $0.247 per share that were issued in the transaction and $1,470,002 for the relative fair value of the embedded beneficial conversion feature. The Company also recorded debt issue costs of $5,510,562 for capital raising services, of which $768,337 was non-cash through the issuance of 2,088,272 restricted shares of common stock, and $4,373,010 was non-cash through the issuance of 21,853,086 warrants for capital raising services.

(9) In March 2008, the Company issued 760,000 warrants to a noteholder as compensation for the Company’s failure to issue the proper amount of warrants and provide an adequate exercise term in connection with previously issued 12% notes payable. These warrants have a 3-year term and are exercisable at $0.245 per share. Interest expense of $329,137 was recorded for the fair value of these warrants.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTE A—DESCRIPTION OF BUSINESS AND GOING CONCERN

Description of Business—Oxygen Biotherapeutics (the Company) was originally formed as a New Jersey corporation in 1967 under the name Rudmer, David & Associates, Inc., and subsequently changed its name to Synthetic Blood International, Inc. On June 17, 2008, the stockholders of Synthetic Blood International approved the Agreement and Plan of Merger dated April 28, 2008, between Synthetic Blood International and Oxygen Biotherapeutics, Inc., a Delaware corporation. Oxygen Biotherapeutics was formed on April 17, 2008, by Synthetic Blood International to participate in the merger for the purpose of changing the state of domicile of Synthetic Blood International from New Jersey to Delaware. Certificates of Merger were filed with the states of New Jersey and Delaware, and the merger was effective June 30, 2008. Under the Plan of Merger, Oxygen Biotherapeutics is the surviving corporation and each share of Synthetic Blood International common stock outstanding on June 30, 2008, was converted to one share of Oxygen Biotherapeutics common stock.

The Company was inactive through September 1990, when it began conducting operations for the purpose of developing a synthetic blood emulsion to act as a human blood substitute, and a method of using a perfluorocarbon compound to facilitate oxygen exchange for individuals with respiratory distress syndrome. The Company is also developing an implantable, continuous reading glucose biosensor to be used primarily by individuals with diabetes. The Company submitted an Investigational New Drug Application (IND) for Oxycyte, the Company's alternative to transfused blood for use in surgical and similar medical situations, to the Food and Drug Administration (FDA) in 2003 and successfully conducted a Phase I safety clinical study in the fourth quarter of 2003. The results of the Phase I study were consistent with the results of preclinical animal safety studies, and showed a good safety profile for Oxycyte. The Company started Phase II clinical trials of Oxycyte in surgical patients in the fourth quarter of 2004. The protocol was successfully completed in 2006 and filed in April 2008. This protocol was put on clinical hold due to safety concerns raised by the regulatory agency. In April 2009, the Company filed an application with the FDA to obtain orphan drug designation for Oxycyte for the treatment of patients with severe, closed-head Traumatic Brain Injury (TBI). The Company filed a Cosmetic Product Ingredient Statement (CPIS) with the FDA for Dermacyte™ Gel, its new Oxycyte-based cosmetic product. The gel is an oxygen-rich formulation of Oxycyte, which OBI believes will promote skin health and other desirable cosmetic benefits when applied to the skin. A CPIS is a voluntary registration with the FDA recommended for a cosmetic product's proposed commercial introduction. The Company is currently evaluating the market opportunities for this product and has not entered into any agreements for the manufacture and marketing of Dermacyte. Fluorovent, an oxygen exchange fluid for facilitating the treatment of lung conditions, and the glucose biosensor are at the preclinical development stage and are currently inactive. The Company has not generated significant revenues since inception.

The accompanying consolidated financial statements include the accounts and transactions of Oxygen Biotherapeutics, Inc. and Synthetic Blood International, Inc. All material intercompany transactions and balances have been eliminated in consolidation.

Going Concern—Management believes the accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has an accumulated deficit during the development stage of $70,960,202 and $37,741,362 at April 30, 2009 and 2008, respectively, and used cash in operations of $4,057,633 and $2,276,209 during the years ended April 30, 2009 and 2008, respectively. The Company requires substantial additional funds to complete clinical trials and pursue regulatory approvals. Although management believes that the Company has necessary working capital to fund operations in fiscal year 2009-2010, management is actively seeking additional sources of equity and/or debt financing; however, there is no assurance that any additional funding will be available.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying April 30, 2009 balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing, and to generate cash from future operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage—The Company has not commenced its planned principal operations, and has not earned significant revenues, therefore it is considered a "Development Stage Enterprise."

Cash and Cash Equivalents—The Company considers all highly liquid instruments with a maturity date of three months or less, when acquired, to be cash equivalents.

Cash Concentrations—The Company maintains cash balances at financial institutions, which may at times, exceed the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") of $250,000 per institution. The Company's cash and cash equivalents included balances uninsured by the FDIC of approximately $31,353 at April 30, 2009. A total of $2,205,289 of the Company's cash is invested in the Western Asset Government Money Market Fund which has an average maturity of 54 days and is rated AAA by Moody's and Standard and Poor's. These funds included balances uninsured by the Securities Investor Protection Corporation of approximately $1,705,289.

Property and Equipment—Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method over the shorter of the estimated useful lives of the related assets, ranging from three to ten years, or the lease term, if applicable.

Impairment of Long-Lived Assets—The Company accounts for its long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"). SFAS 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition of the asset. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and the fair value or disposable value. During the year ended April 30, 2008, the Company recorded impairment charges totaling $32,113 on a piece of laboratory equipment due to infrequency of use.

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Research and Development Costs—All costs related to research and development activities are treated as expenses in the period incurred.

Loss Per Share—Basic loss per share, which excludes antidilutive securities, is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding for that particular period. In contrast, diluted loss per share considers the potential dilution that could occur from other equity instruments that would increase the total number of outstanding shares of common stock. Such amounts include shares potentially issuable under outstanding options, warrants and convertible debentures. Potentially dilutive securities, however, have not been included in the fiscal year 2009 diluted loss per share computation because their effect is antidilutive. If such shares were included in diluted EPS, they would have resulted in weighted-average common shares of approximately 369.3 million in fiscal year 2009. Such amounts include shares potentially issuable under outstanding options, warrants, and convertible debentures.

Income Taxes—Deferred tax assets and liabilities are recorded for differences between the financial statement and tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of other income and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments—The Company's balance sheet includes the following financial instruments: cash and cash equivalents, short-term notes payable, and convertible debentures. The Company considers the carrying amount of its cash and cash equivalents and short-term notes payable to approximate fair value due to the short-term nature of these instruments It is not practicable for the Company to estimate the fair value of its convertible debentures as such estimates cannot be made without incurring excessive costs. The significant terms of the Company's convertible debentures are described in Note D. At April 30, 2009 and 2008 the debentures had a gross carrying value of $351,867 and $20,256,242, respectively, with discounts totaling $124,152 and $11,155,401, respectively.

Employee Stock Options and Stock-Based Compensation—Effective May 1, 2006, the Company adopted the provisions of SFAS No. 123R, "Share-Based Payment," which establishes accounting for share-based instruments exchanged for employee services. Under the provisions of SFAS No. 123R, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). Prior to May 1, 2006, the Company accounted for share-based compensation to employees in accordance with APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company also followed the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." The Company elected to employ the modified prospective transition method as provided by SFAS No. 123R and, accordingly, financial statement amounts for the prior periods presented have not been restated to reflect the fair value method of expensing share-based compensation. For the years ended April 30, 2009 and 2008, the Company recorded share-based compensation expense of approximately $1,672,158 and $769,000, respectively for stock options granted to employees. In addition, the Company recorded compensation expense of $77,433 and $12,460, respectively for the fair value of common stock issued to the CEO.

The Company continues to follow EITF Issue 96-18, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods and Services," for stock options and warrants issued to consultants and other non-employees. In accordance with EITF Issue 96-18, these stock options and warrants issued as compensation for services to be provided to the Company are accounted for based upon the fair value of the services provided or the estimated fair market value of the option or warrant, whichever can be more clearly determined. The Company recognizes this expense over the period in which the services are provided. The Company's net loss for the years ended April 30, 2009 and 2008 includes expenses of approximately $2,519,852 and $4,782,000, respectively, for non-cash stock-based compensation for options and warrants issued to consultants and other non-employees. In addition, during the year ended April 30, 2009, the Company recorded $296,100 for the fair value of common stock issued to consultants.

Recent Accounting Pronouncements

SFAS No.159—In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* ("SFAS 159"), which permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of fiscal years after November 15, 2007. The Company adopted SFAS 159 on May 1, 2008, and it did not materially affect its financial position or results of operations.

SFAS No. 141(R)—In December 2007, the FASB issued Statement No. 141(R), *Business Combinations*. This Statement replaces FASB Statement No. 141, *Business Combinations.* This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the *purchase method*) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Statement 141 did not define the acquirer, although it included guidance on identifying the acquirer, as does this Statement. This Statement's scope is broader than that of Statement 141, which applied only to business combinations in which control was obtained by transferring consideration. By applying the same method of accounting – the acquisition method – to all transactions and other events in which one entity obtains control over one or more other businesses, this Statement improves the comparability of the information about business combinations provided in financial reports. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The adoption of SFAS No. 141(R) did have a material affect on the company's financial position and results of operations.

SFAS No. 160—In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51.* This Statement amends ARB 51 to establish accounting and reporting standards for the

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noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this Statement was issued, limited guidance existed for reporting noncontrolling interests. As a result, considerable diversity in practice existed. So-called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This Statement improves comparability by eliminating that diversity. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The effective date of this Statement is the same as that of the related Statement 141(R). This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The Company is currently evaluating SFAS 160 and has not yet determined its potential impact on its future results of operations or financial position.

NOTE C—LICENSING RIGHTS AND PATENTS

In May 2008, the Company entered into a license agreement with Virginia Commonwealth University (“Licensor”) whereby the Company obtained a worldwide, exclusive license to valid claims under three of the Licensor’s patent applications that relate to methods for non-pulmonary delivery of oxygen to tissue and the products based on those valid claims used or useful for therapeutic and diagnostic applications in humans and animals. The license includes the right to sub-license to third parties. The term of the agreement is the life of the patents covered by the patent applications, except that the Company can terminate the agreement at any time on not less than 90 days advance notice. As of April 30, 2009, management has no intention of terminating the agreement.

The Company has an obligation to diligently pursue product development and also pursue new patent applications covered by this agreement; both at its own cost. The Company paid an initial fee of $50,000 in cash and paid an additional $16,228 to the Licensor as reimbursement of costs paid by the Licensor on patent applications and related work. The Company also issued to the licensor a warrant for the purchase of 500,000 shares of common stock at an exercise price of $0.42 per share that expires May 22, 2013. These warrants were valued at $353,500.

The $50,000 initial fee is fully credited towards future royalty or sublicensing revenue payments to the Licensor. This fee has been accounted for as a deposit and is included in other assets at April 30, 2009.

The $16,228 reimbursement costs and the $353,500 value of the 500,000 warrants discussed above were capitalized as licensing rights and are being amortized over the legal life of the underlying patents. Accumulated amortization on the licensing rights at April 30, 2009 totaled $12,473.

The Company agreed to pay to the Licensor a royalty on net sales of licensed products as follows:

Net Sales	Applicable Royalty
Up to $10 million	25%
Over $10 million to $49 million	15%
Over $49 million	10%

The Company also agrees to pay to the Licensor a percentage of sublicensing revenue received from sub-licensees or other third parties in regards to the licensed patents, equal to 33% of any such third party payments, which may be reduced to 25% if the Company completes pre-clinical studies on a licensed product, reduced further to 20% if the Company completes Phase I clinical studies, reduced further to 17% if the Company completes Phase II clinical studies, and reduced further to 10% if the Company completes Phase III clinical studies on a licensed product.

The Company agreed to pay a $20,000 annual maintenance fee to the Licensor, starting in May 2009 and payable in each following May as long as the agreement is in force. The maintenance fee payments will be fully credited towards future royalty or sublicensing revenue payments to the Licensor.

The Company agreed to pay a $50,000 annual minimum royalty to the Licensor, starting in May 2009 and payable in each following May as long as the agreement is in force. The minimum royalty fee payments will be fully credited towards future royalty or sublicensing revenue payments to the Licensor.

Lastly, the agreement provides that the Company will make the following minimum milestone payments to the Licensor, with respect to the first licensed product to achieve each milestone. However, if new licensed products are separately patentable, the same milestone payments shall apply to them.

Clinical Indication	Medical Device
$25,000 upon filing of IND	$25,000 upon filing of FDA 510K or PMA
$100,000 upon completion of Phase I clinical trial	$250,000 upon receipt of FDA or foreign equivalent marketing approval
$200,000 upon completion of Phase II human clinical trial	
$300,000 upon completion of Phase III human clinical trial	
$500,000 upon receipt of FDA or foreign equivalent marketing approval	

As of April 30, 2009, the Company has not met any of the milestones identified above and therefore has not incurred any liabilities related to this licensing agreement. The Company expects to have to pay $25,000 under this agreement at the completion of the Traumatic Brain Injury (TBI) study and we expect this to be completed sometime in the first quarter of fiscal 2012. The Company expects to pay an additional $50,000 during the second quarter of Fiscal 2010 under this agreement because of the development of a wound product (medical device) and a dermatology product (wound device).

In September 2008, the Company assigned all of its patent rights on glucose monitoring technology to Glucometrics, Inc. One of the officers of Glucometrics, Inc. is a former employee of Synthetic Blood International and did extensive research work under the guidance of Dr. Leland Clark, founder of Synthetic Blood International. Both he and Dr. Richard Kiral, President and Chief Operating Officer of Oxygen Biotherapeutics, Inc. worked on Dr. Clark’s team during the same period of time.

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The agreement calls for Glucometrics, Inc to have exclusive rights to this technology for the entire life of the patent. In exchange for the use of these patent rights the Company acquired a ten percent interest in Glucometrics, Inc and acquired the right to receive royalty payments on revenues generated by any product developed by Glucometrics that uses the glucose monitoring technology. The patents assigned to Glucometrics, Inc. had a cost of $186,893 and had accumulated amortization of $72,700 on the date the patents were assigned. The Company valued the investment in Glucometrics, Inc. at $114,193, the value of the patents transferred.

The Glucometrics, Inc agreement calls for royalties to be paid to Oxygen Biotherapeutics, Inc as follows:

Net sales related to the marketing of an implantable licensed product:

Net Sales	Applicable Royalty
Up to $10 million	10%
Over $10 million to $50 million	8%
Over $50 million	6%

Net sales related to the marketing of a non-implantable licensed product:

Net Sales	Applicable Royalty
Up to $5 million	8%
Over $5 million to $25 million	6%
Over $25 million	4%

In the future, the Company will recognize in revenue any royalty payments received as part of this agreement.

The Company capitalizes expenditures associated with patents and trademarks related to the Company's various technologies. Capitalized costs include amounts paid to third parties for legal fees, application fees and other direct costs incurred in the filing and prosecution of patent and trademark applications. These assets are amortized on a straight-line method over their legal life of 20 years. The Company reviews these intangible assets for impairment quarterly in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. As of April 30, 2009, management believes no indications of impairment existed.

Patents and License Rights consist of the following at April 30:

	2009	2008
Patents	$ 254,893	$ 349,164
License Rights	496,227	—
Less accumulated amortization	(100,898)	(220,062)
	$ 650,222	$ 129,102

The amortization expense for years ended April 30, 2009 and 2008 was $32,236 and $34,010, respectively. The unamortized balance of patents and license rights estimated to be amortized over the next five years and thereafter as follows:

Fiscal Year ending April 30:	
2010	$ 42,126
2011	42,126
2012	42,126
2013	42,126
2014	40,735
Thereafter	440,983
	$650,222

NOTE D—NOTES PAYABLE

During the third and fourth quarters of the year ended April 30, 2008, the Company received a total of $6,335,000 proceeds from the sale of 5-year convertible debentures, with a total face amount of $14,077,778. The debentures are unsecured and convertible at any time prior to maturity into a total of 56,995,053 shares of common stock, or $0.247 per share. In connection with the issuance of these obligations, the Company recorded a 55% original issue discount of $7,742,778, and additional discounts of $4,864,998 related to the relative fair value of the 28,497,501 5-year warrants to purchase common stock at $0.247 per share that were issued in the transaction, and $1,470,002 for the relative fair value of the beneficial conversion feature. During the year ending April 30, 2009, the Company repaid $13,799,437 of the principal balance of these debentures through the issuance of 55,868,166 shares of common stock. The Company recognized interest expense of $1,669,717 and $329,843 for the years ending April 30, 2009 and 2008, respectively, related to amortization of the discounts. The Company also recognized additional interest expense of $11,975,116 for the unamortized discounts at the date of conversion. As of April 30, 2009 and 2008, these notes had a principal balance of $278,325 and $14,077,778 and unamortized discounts of $103,944 and $13,747,923, respectively.

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The Company incurred total costs of $5,510,562 for capital raising services on these transactions. The costs of the capital raising services include $369,215 paid in cash, $768,337 for the fair value of 2,088,272 restricted shares of common stock, and $4,373,010 for the fair value of 21,853,086 warrants. During the years ending April 30, 2009 and 2008, the Company recorded interest expense of $765,900 and $213,234, respectively, in amortization of these costs. In 2009, the Company recorded an additional $4,497,645 of interest expense for the unamortized issuance costs recognized upon conversion. As of April 30, 2009 and 2008, the unamortized debt issuance costs were $33,783 and $5,297,289, respectively.

In January 2008, the Company exchanged its remaining outstanding short term loans for 5-year convertible debentures with a face amount of $3,982,545. The notes are unsecured, convertible into shares of common stock at $0.247 per share, and were issued with a 55% original issue discount totaling $2,190,400. In addition, the Company issued 5-year warrants to purchase 8,061,831 shares of common stock at $0.247 per share to investors. Additional discounts of $1,035,945 and $756,200 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively. Pursuant to this exchange transaction, the Company recorded a debt extinguishment loss of $191,941. The Company determined that the exchange of notes should be accounted for as complete debt extinguishment as opposed to a debt modification, pursuant to the guidance in EITF 02-04 and EITF 96-19. The key components of this determination were as follows: (a) no concessions were granted to the Company by the existing note holders; and (b) the modification of terms was deemed substantial enough to be treated as an extinguishment, since the present value of the new notes exceeded the present value of the exchanged notes by more than 10%. During the years ended April 30, 2009 and 2008, the Company repaid $3,930,841 and $26,060 of the principal balance of these debentures through the issuance of 15,914,336 and 105,506 shares of common stock, respectively. The Company recognized interest expense of $387,914 and $126,687 for the years ended April 30, 2009 and 2008, respectively, related to amortization of the discounts. In 2009 and 2008, the Company recorded an additional $3,444,212 and $25,241, respectively, of interest expense for the unamortized discounts recognized upon conversion. As of April 30, 2009 and 2008, these notes had a principal balance of $25,644 and $3,956,485 and unamortized discounts of $0 and $3,829,798, respectively.

In November and December 2007, the Company received $1,000,000 from the issuance of short term bridge loans to fund operations and other working capital needs. The notes were unsecured and paid interest at 10% per year. In addition, the Company issued 5-year warrants to purchase 2,500,000 shares of common stock at $0.245 per share to investors. An additional discount of $288,750 was recorded for the relative fair value of the warrants. In connection with the bridge financing, the Company issued 2,500,000 warrants for capital raising services and recorded debt issue costs of $288,750 which represents the fair value of these warrants. These discounts and debt issuance costs were recognized as interest expense in December 2007 when these notes were exchanged for the convertible debentures described below.

In December 2007, the Company exchanged its $1,000,000 bridge loans for 5-year convertible debentures with a face amount of $2,222,222. The notes are unsecured, convertible into shares of common stock at $0.247 per share, and were issued with a 55% original issue discount totaling $1,222,222. In addition, the Company issued 5-year warrants to purchase 4,498,426 shares of common stock at $0.247 per share to investors. Additional discounts of $703,554 and $296,446 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively. The Company incurred no debt extinguishment costs in this exchange. During the year ended April 30, 2009, the Company repaid $2,174,325 of the principal balance of these debentures through the issuance of 8,802,935 shares of common stock. The Company recognized interest expense of $261,063 and $83,256 for the years ended April 30, 2009 and 2008, respectively, related to amortization of the discounts. In 2009, the Company recorded an additional $1,858,594 of interest expense for the unamortized discounts recognized upon conversion. As of April 30, 2009 and 2008, these notes had a principal balance of $47,897 and $2,222,222 and unamortized discounts of $20,208 and $2,139,865, respectively.

In July and August 2007, the Company issued $282,055 of 2-year notes payable for working capital needs. The notes were unsecured and were issued with an original issue discount of $16,417, and additional discounts of $67,969 related to the relative fair value of 2,815,763 warrants issued in the transaction. Of the total discounts of $84,386, $26,230 was amortized into interest and the remaining balance of $58,156 was included in the loss on debt extinguishment. The Company recorded debt issuance costs of $170,686, of which $120,223 was through the issuance of 1,431,000 warrants and $50,463 was paid in cash for capital raising services. These discounts and debt issuance costs were recognized as interest expense in January 2008 when these notes were exchanged for the convertible debentures described above.

Interest charges associated with the notes payable, including amortization of the original issue discount, common stock purchase warrant value, beneficial conversion feature, and debt issue costs aggregated $24,856,041 and $3,611,902 for the years ended April 30, 2009 and 2008, respectively.

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The Company's long-term debt at April 30, 2009 matures as follows:

Year ending April 30,	
2010	$ —
2011	—
2012	—
2013	351,867
Total scheduled maturities	351,867
Less unamortized discount at April 30, 2009	(124,152)
	$ 227,715

NOTE E—COMMITMENTS AND CONTINGENCIES

Operating Leases—The Company leases its office and laboratory space under three operating leases that include fixed annual increases and expire in May 2010 and July 2015. Rent expense amounted to approximately $223,975 and $189,500 for the periods ended April 30, 2009 and 2008, respectively. In 2009, the Company entered into a month-to-month lease agreement for offsite storage space. Rent expense for this lease was $2,400 for the year ended April 30, 2009.

The Company has sublet a portion of its lab facility it California to an unrelated third party. The sublease consists of 12 month term with the option to renew. At each renewal period, the monthly rental income escalates 5%. For the years ended April 30, 2009 and 2008, the Company recorded $76,444 and $75,015 as other income for the rents received under the sublease agreement.

The future minimum payments for the long-term, non-cancelable lease are as follows:

Year ending April 30,	
2010	$ 172,130
2011	172,130
2012	172,130
2013	172,130
2014	172,130
Thereafter	215,163
	$ 1,075,813

Litigation—The Company is subject to litigation in the normal course of business, none of which management believes will have a material adverse effect on the Company's financial statements. At April 30, 2009 the Company is not a party to any litigation matters.

Consulting Agreement—On May 5, 2008 the Company entered into a consulting agreement with Fiona International SA to provide services related to licensing of the Company's Oxycyteproduct and other corporate matters. The agreement was effective through August 4, 2008, and involved the following remuneration: (a) Cash payments totaling $87,500; (b) the issuance of 3,032,000 five year common stock purchase warrants with an exercise price of $0.247; (c) and the issuance of 411,250 shares of common stock on August 1, 2008. At April 30,2009, the Company did not have any further obligation under this agreement.

Employment Contracts—The Board of Directors approved a new employment agreement with Dr. Stern effective February 1, 2009, that supersedes all prior compensatory arrangements with Dr. Stern and his associates. The agreement is effective for a one-year term commencing February 1, 2009, and automatically renews for additional one-year terms, unless Dr. Stern terminates the agreement in advance of renewal or the Company gives Dr. Stern at least 120 days advance notice that it elects not to renew at the end of the then current term. Under the agreement Dr. Stern will receive as compensation an annual base salary of $300,000; a cash bonus equal to one percent of base salary for each two percent of the Company's annual goals and/or milestones achieved, which are established annually by the Board of Directors; provided, that no bonus is paid unless at least 100 percent of annual goals and/or milestones are achieved; 14,000 shares of the restricted common stock of the Company issued monthly; fixed monthly automobile allowance of $800; and fixed payment of $2,500 per month for secretarial and related office support.

If Dr. Stern ceases to be a director of the Company for any reason, he is entitled to receive $200,000 in cash and 100,000 restricted common shares. Furthermore, if Dr. Stern is terminated without cause or Dr. Stern terminates the agreement for good reason, then he is entitled to receive one-year of base salary, all bonuses then payable, and the economic value of the replacement cost for one-year of the other benefits under the agreement, and he has the right to exercise immediately all outstanding options, vested and unvested, on the terms set forth in the options he holds, including "cashless exercise" through conversion of the options to common shares based on the difference between market price and exercise price. In connection with the adoption of this agreement, the Company agreed that options previously issued to Dr. Stern to purchase 1,000,000 common shares at an exercise price of $0.245 per share and a three-year term are extended to November 2017 (ten-year term), options to purchase 4,000,000 common shares at an exercise price of $0.245 per share and a three-year term are extended to September 2018 (ten-year term), and all of the options are amended to allow for "cashless exercise" through conversion of the options to common shares based on the difference between market price and exercise price. In the fourth quarter of year ending April 30, 2009, the company recognized an additional expense of $408,868 due to the revaluation of these previously granted option agreements.

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On February 22, 2008(amended by Board resolution on March 26, 2008) the Board of Directors approved a two-year employment contract with Dr. Richard Kiral, as President and Chief Operating Officer of the Company. Dr. Kiral's current base annual salary is $247,000 as of April 30, 2009 and includes an automobile allowance, medical and dental coverage, participation in the Executive Bonus Plan, $200,000 life insurance policy payable to a beneficiary named by the insured. In addition, as compensation for his role as a member of the Board, Dr. Kiral will be granted 20,000 qualified stock options each month in accordance with the 1999 Plan (NOTE G). The contract will renew automatically annually unless terminated by either party. Dr. Kiral's employment agreement provides that he is to receive a minimum severance payment equal to 12 months of his annual salary in the event of Dr. Kiral's termination without cause, as that term is defined in the employment agreement. The Board also agree to issue and pay to Dr. Kiral, upon his termination as a board member by the Company for whatever reason, with or without cause, an aggregate of 100,000 shares of the Company's common stock and the sum of $200,000, payable upon such termination.

Effective November 20, 2007, Robert W. Nicora, the Company's President, Chief Executive Officer and Chief Financial Officer resigned from all officer positions and from his directorship. In accordance with his employment agreement, Mr. Nicora is entitled to receive a total amount of $378,233 which includes accrued salaries, repayment of advances and severance payments. A total of $378,223 was paid on this obligation during the period from November 20, 2007 to April 30, 2009.

Robert J. Larsen, a member of the Company's Board of Directors and its former interim President and Chief Executive Officer, died unexpectedly on March 24, 2008. On March 25, 2008, the Board of Directors approved the issuance of options to the Estate of Robert J. Larsen to purchase 300,000 shares of common stock at an exercise price of $0.30 per share. The Board of Directors also approved the Estate of Robert J. Larsen the right to cashless exercise of all of Mr. Larsen's outstanding options. During the year ending April 30, 2009, the Company issued to the Estate of Robert J. Larsen 318,686 shares of common stock in a cashless exercise of 515,000 options.

401(k) Retirement Plan—The Company sponsors a 401(k) Retirement Savings Plan (the Plan) for all eligible employees. Full-time employees over the age of 18 are eligible to participate in the Plan after 90 days of continuous employment. Participants may elect to defer earnings into the Plan up to the annual IRS limits and the Company provides a matching contribution up to the amount of the employee deferral, or 3% of the participants' annual salary, whichever is less. The Plan is managed by a third-party trustee. For the period ended April 30, 2009 and 2008, the Company recorded $9,869 and $8,886, respectively, for matching contributions expense.

Registration Requirement—Warrants totaling 49,410,844 and convertible notes issued during the year ended April 30, 2008 are subject to a requirement that the Company file a registration statement with the SEC to register the underlying shares, and that it be declared effective on or before January 9, 2009. In the event that the Company does not have an effective registration statement as of that date, or if at some future date the registration ceases to be effective, then the Company is obligated to pay liquidated damages to each holder in the amount of 1% of the aggregate market value of the stock, as measured on January 9, 2009 or at the date the registration statement ceases to be effective. As an additional remedy for non-registration of the shares, the holders would also receive the option of a cashless exercise of their warrant or conversion shares. As of April 30, 2009, approximately 10,000,000 of these warrants are subject to the registration requirement.

The agreement underlying the issue of the above warrants ("Warrant Agreement") asserts that, prior to September 30, 2008, the Company is required to take action to submit to the shareholders of the Company a proposal to amend the Company's articles of incorporation to increase the number of authorized shares of common stock by such amount as is necessary to reserve for issuance the maximum aggregate number of warrant shares then issued or potentially issuable in the future upon exercise of the Warrant Agreement. As a result of the June 30, 2008 merger (further described in Note J), this action was completed and the number of authorized common shares was increased from 200 million common shares, par value $0.01, to 400 million common shares, par value $0.0001.

NOTE F—STOCKHOLDERS' EQUITY

Fiscal Year 2009:

(1) The Company issued 80,585,436 shares of common stock for the conversion of notes payable with a gross carrying value of $19,904,605 at a conversion price of $0.247 per share.

(2) Pursuant to the exercise of warrants, the Company issued 8,163,000 shares and received a total of $2,225,624. Due to errors made by the Company in the pricing of certain warrant exercise transactions, $140,000 of this total was paid to the related investors. Additionally, the Company is owed $12,500 for a similar warrant exercise pricing error with another investor. This amount has been expensed as a bad debt, as the Company does not intend to take further action to collect this receivable.

(3) The Company issued 141,302 shares of its common stock as compensation to its Chief Executive Officer, valued at $77,433.

(4) The Company issued 411,250 shares of its common stock to Fiona International at a price of $0.72 per share for a total value of $296,100 in payment for consulting services related to licensing of the Company's Oxycyte product and other corporate matters.

(5) The Company issued a total of 5,560,000 options to employees and consultants as compensation during the year ended April 30, 2009, which included 4,000,000 shares to the Chief Executive Officer for services rendered in relation to the negotiating of a royalty agreement. The 5,560,000 options had exercise prices ranging from $0.23 to $0.720 and were issued with 3-10 year terms. The Company charged $1,963,578 to expense for the computed fair value of the options on the grant date.

(6) The Company issued warrants to purchase 3,532,000 shares of common stock to consultants and others in exchange for services and acquired patent technology. The warrants had exercise prices ranging from $0.24 to $0.47 and were issued with 2 - 5 year terms. The Company charged $1,874,932 to expense and capitalized $353,500 for the computed fair value of the warrants on the grant date.

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(7) The Company issued 318,836 shares of common stock in a cashless exercise of 515,000 stock options.

Fiscal Year 2008:

(1) Pursuant to the exercise of 50,000 options and 871,410 warrants for cash, the Company issued 921,410 shares of its common stock and received proceeds of $221,104. In addition, the Company issued 2,193,148 shares of common stock in cashless exercises of 300,000 options and 8,455,333 warrants.

(2) In connection with the issuance of $282,055 of 2-year notes payable, the Company recorded a discount of $67,969 related to the relative fair value of 2,815,763 warrants issued in the transaction. The Company recorded debt issue costs of $170,686, of which $120,223 was through the issuance of 1,431,000 warrants for capital raising services.

(3) The Company issued 5-year warrants to purchase 2,500,000 shares of common stock at $0.245 per share to investors that provided $1,000,000 in bridge financing. A discount of $288,750 was recorded for the relative fair value of the warrants. In connection with the bridge financing, the Company issued 2,500,000 warrants for capital raising services and recorded debt issue cost of $288,750 which represents the fair value of these warrants estimated using the Black-Scholes valuation model. The warrants are exercisable at a price of $0.245 per share. In addition, the Company paid $100,000 in cash for capital raising services.

(4) In the exchange its $1,000,000 bridge loans for 5-year convertible debentures, the Company issued 5-year warrants to purchase 4,498,426 shares of common stock at $0.247 per share to investors. Discounts of $703,554 and $296,446 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively.

(5) In the exchange of its remaining outstanding short term loans for 5-year convertible debentures with a face amount of $3,982,545, the Company issued 5-year warrants to purchase 8,061,831 shares of common stock at $0.247 per share to investors. Discounts of $1,035,945 and $756,200 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively.

(6) In connection with the Company's $6,335,000 financing as described in Note D, the Company recorded discounts of $4,864,998 related to the relative fair value of the 28,497,501 5-year warrants to purchase common stock at $0.247 per share, and $1,470,002 for the relative fair value of the beneficial conversion feature. The Company also incurred total costs of $5,510,562 for capital raising services on these transactions. The costs of the capital raising services include a $369,215 paid in cash, $768,337 for the fair value of 2,088,272 restricted shares of common stock, and $4,373,010 for the fair value of 21,853,086 warrants.

(7) In March 2008, the Company issued 760,000 warrants to a noteholder as compensation for the Company's failure to issue the proper amount of warrants and provide an adequate exercise term in the original 2006 issuance. These warrants have a 3-year term and are exercisable at $0.245 per share. Interest expense of $329,137 was recorded for the fair value of these warrants.

(8) The Company made principal payments on its convertible notes payable with a net carrying value of $130,000 through the issuance of 1,333,887 shares of common stock.

(9) In April 2008, the Company issued 14,000 shares of its common stock as compensation to its Chief Executive Officer, valued at $12,460.

As further described in Note D, warrants totaling 41,057,783 and convertible notes issued during the year ended April 30, 2008 are subject to a requirement that the Company file a registration statement with the SEC to register the underlying shares, and that it be declared effective on or before January 9, 2009. EITF 00-19 provides guidance to proper recognition, measurement, and classification of certain freestanding financial instruments that are indexed to, and potentially settled in, any entity's own stock. If an issuer does not control the form of settlement, an instrument is classified as an asset or liability. An issuer is deemed to "control the settlement" if it has both the contractual right to settle in equity shares and the ability to deliver equity shares. EITF 00-19 states that the existence of a contractual requirement for the issuer to deliver registered shares is one of the conditions that is considered outside the control of the issuer. However, the Financial Accounting Standards Board issued a FASB Staff Position on EITF 00-19-2, *Accounting for Registration Payment Arrangements* ("FSP EITF 00-19-2") in December 2006. The FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, Accounting for Contingencies. Pursuant to the guidance in EITF 00-19 and FSP EITF 00-19-2, the Company has accounted for the warrants as equity instruments in the accompanying financial statements, and the Company has not recorded any amounts with respect to the separately measured registration rights agreement and the Company does not believe such payment to be probable.

The Company determined that the conversion feature embedded in the convertible debentures satisfied the definition of a conventional convertible instrument under the guidance provided in ETIF 00-19 and ETIF 05-02, as the conversion option's value may only be realized by the holder by exercising the option and receiving a fixed number of shares. As such, the embedded conversion option in the notes payable qualifies for equity classification under ETIF 00-19, qualifies for the scope exception of paragraph 11(a) of SFAS 133, and is not bifurcated from the host contract. In accordance with the provisions of Accounting Principles Board Opinion No. 14, the Company allocated the net proceeds received in this transaction to each of the convertible debentures and common stock purchase warrants based on their relative estimated fair values. In accordance with the consensus of EITF issues 98-5 and 00-27, management determined that the convertible debentures contained a beneficial conversion feature based on the effective conversion price after allocating proceeds of the convertible debentures to the common stock purchase warrants. The amounts recorded for the original issue discount, common stock purchase warrants and the beneficial conversion feature are amortized as interest expense over the terms of the convertible debentures.

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NOTE G—STOCK OPTIONS AND WARRANTS

In September 1999, the Company's Board of Directors approved the 1999 Stock Plan (the "1999 Plan") which provides for the granting of incentive and nonstatutory stock options to employees and directors to purchase up to 4,000,000 shares of the Company's common stock. The 1999 Plan was approved by stockholders on October 10, 2000. Options granted under the 1999 Plan are exercisable at various dates up to four years and have expiration periods of generally ten years. On June 17, 2008, the stockholders of the Company approved the amendment of the Company's 1999 Stock Plan to increase the number of shares of common stock available for awards under the plan from 4,000,000 to 12,000,000, to increase the maximum number of shares covered by awards granted under the plan to an eligible participant from 4,000,000 shares to 5,000,000 shares, and to make additional technical changes to update the plan. Persons eligible to receive grants under the Plan consist of all of the Company's employees, including executive officers and employee directors. As of April 30, 2009 and 2008, the Company had 9,871,668 and 3,345,000 outstanding options under the 1999 Plan, respectively. As of April 30, 2009 and 2008, there were 2,128,332 and 665,000, respectively, options available for grant under the 1999 Plan.

Effective May 1, 2006, the Company adopted the provisions of SFAS No. 123R, "Share-Based Payment," which establishes accounting for share-based instruments exchanged for employee services. Under the provisions of SFAS No. 123R, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

Year ended April 30,	2009	2008
Average risk-free interest rate	2.9%	2.8%
Average volatility	92%	94%
Dividend yield	0%	0%
Expected term	3-10 years	3-10 years
Forfeiture rate	12%	14.1%

The Company uses historical data among other factors to estimate the expected volatility, the expected option life, and the expected forfeiture rate. The risk-free rate is based on the interest rate paid on a U.S. Treasury issue with a term similar to the estimated life of the option. For the years ended April 30, 2009 and 2008, the Company recorded compensation expense of $1,672,158 and $769,000, respectively. The estimated weighted average fair value of options granted during the years ended April 30, 2009 and 2008 was $0.41 and $0.32, respectively. As of April 30, 2009 and 2008, the unamortized compensation expense related to outstanding unvested options was approximately $161,773 and $83,000, respectively. The Company expects to amortize this expense over the remaining vesting period of these stock options.

The Company follows EITF Issue 96-18, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods and Services," for stock options and warrants issued to consultants and other non-employees. In accordance with EITF Issue 96-18, these stock options and warrants issued as compensation for services to be provided to the Company are accounted for based upon the fair value of the services provided or the estimated fair market value of the option or warrant, whichever can be more clearly determined. For the years ended April 30, 2009 and 2008, the Company measured the cost of issued warrants and non-qualified stock options based on the calculated fair value on the grant date using the Black-Scholes option pricing model using the following assumptions:

Year ended April 30,	2009	2008
Average risk-free interest rate	3.2%	2.0%
Average volatility	95.1%	92.9%
Dividend yield	0%	0%
Expected term	2-5 years	2-5 years

The Company recognizes this expense over the period in which the services are provided. For the years ended April 30, 2009 and 2008, the Company recorded expenses of $2,519,852 and $4,782,000, respectively, for non-cash stock-based compensation for options and warrants issued to consultants and other non-employees.

The Company issued a total of 4,660,000 options to employees as compensation during the year ending April 30, 2009 which included 4,000,000 shares to the Chief Executive Officer for services rendered in relation to the royalty agreement with Glucometrics, Inc. (Note C). The 4,660,000 options had exercise prices ranging from $0.23 to $0.72 and were issued with 10 year terms. The company charged $1,672,158 to compensation expense during the year ending April 30, 2009 for the computed fair value of these options. During the year ended April 30, 2008, the Company issued a total of 845,000 options to employees as compensation. The 845,000 options had exercise prices ranging from $0.13 to $0.85 and were issued with 10 year terms. The company charged $769,000 to compensation expense during the year ending April 30, 2008.

In addition, during the year ended April 30, 2009, the Company recognized expense of $291,420 for the computed fair value of 900,000 non-qualified options issued to non-employee directors and consultants in conjunction with the Glucometrics, Inc. licensing agreement (Note C). These options were granted with an exercise price of $0.30 and a 3 year term. During the year ended April 30, 2008, the Company recognized expense of $491,362 for the computed fair value of 900,000 non-qualified options issued to non-employee directors and consultants. The options were granted with an exercise price of $0.30 and a 3 year term. As of April 30, 2009 and 2008, the Company had 3,000,000 and 4,490,000, respectively, non-qualified options outstanding.

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The following table summarizes certain information related to the Company's outstanding stock options at April 30, 2009 and 2008:

Year ended April 30,	2009		2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	7,835,000	$ 0.22	6,075,000	$ 0.18
Granted	5,560,000	0.27	2,745,000	0.27
Forfeited	(204,696)	0.13	(635,000)	0.17
Exercised	(318,636)	0.13	(350,000)	0.13
Outstanding, end of year	12,871,668	$ 0.25	7,835,000	$ 0.22

The following table summarizes information about vesting and exercise price for the Company's outstanding options at April 30, 2009:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.09 to $0.13	2,291,667	1.5	$ 0.12	1,913,333	$ 0.12
$0.15 to $0.24	1,990,000	2.4	$ 0.18	1,940,000	$ 0.18
$0.25 to $0.33	8,055,000	6.9	$ 0.26	7,661,667	$ 0.26
$0.44 to $0.85	535,001	5.0	$ 0.64	465,000	$ 0.66
	12,871,668			11,980,000	

Warrant activity for the years ended April 30, 2009 and 2008 was as follows:

Fiscal 2009:

(1) In May 2008, the Company issued warrants to purchase 1,385,000 shares of common stock to FIONA International as compensation for consulting fees for development of Oxycyte. The warrants were granted with a strike price of $0.247 with a term of 2 years. The Company recorded compensation expense of $786,265 for the computed fair value of the warrants at the grant date.

(2) In May 2008, the Company issued warrants to purchase 500,000 shares of common stock to VCU Intellectual Property Foundation as compensation for the exclusive rights to patent technology. See NOTE C for further discussion of the License Agreement. The warrants were granted with a strike price of $0.42 with a term of 5 years. The Company capitalized expense of $353,500 for the computed fair value of the warrants at the grant date.

(3) In July 2008, the Company issued warrants to purchase 1,647,000 shares of common stock to FIONA International as compensation for consulting fees for development of Oxycyte. The warrants were granted with a strike price of $0.247 with a term of 2 years. The Company recorded compensation expense of $1,088,667 for the computed fair value of the warrants at the grant date.

(4) Pursuant to the exercise of warrants, the Company issued 8,163,000 shares and received a total of $2,225,624. Due to errors made by the Company in the pricing of certain warrant exercise transactions, $140,000 of this total was paid back to the related investors. Additionally, the Company is owed $12,500 for a similar warrant exercise pricing error with another investor. This amount has been expensed as a bad debt, as the Company does not intend to take further action to collect this receivable.

Fiscal 2008:

(1) In connection with the issuance of $282,055 of 2-year notes payable, the Company recorded a discount of $67,969 related to the relative fair value of 2,815,763 warrants issued in the transaction. The Company recorded debt issue costs of $170,686, of which $120,223 was non-cash through the issuance of 1,431,000 warrants for capital raising services.

(2) The Company issued 5-year warrants to purchase 2,500,000 shares of common stock at $0.245 per share to investors that provided $1,000,000 in bridge financing. A discount of $288,750 was recorded for the relative fair value of the warrants. In connection with the bridge financing, the Company issued 2,500,000 warrants for capital raising services and recorded debt issue cost of $288,750 which represents the fair value of these warrants estimated using the Black-Scholes valuation model. The warrants are exercisable at a price of $0.245 per share. In addition, the Company paid $100,000 in cash for capital raising services.

(3) In the exchange its $1,000,000 bridge loans for 5-year convertible debentures, the Company issued 5-year warrants to purchase 4,498,426 shares of common stock at $0.247 per share to investors. Discounts of $703,554 and $296,446 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively.

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(4) In the exchange of its remaining outstanding short term loans for 5-year convertible debentures with a face amount of $3,982,545, the Company issued 5-year warrants to purchase 8,061,831 shares of common stock at $0.247 per share to investors. Discounts of $1,035,945 and $756,200 were recorded for the relative fair values of the warrants and beneficial conversion feature, respectively.

(5) In connection with the Company's $6,335,000 financing as described in Note D, the Company recorded discounts of $4,864,998 related to the relative fair value of the 28,497,501 5-year warrants to purchase common stock at $0.247 per share that were issued in the transaction, and $1,470,002 for the relative fair value of the beneficial conversion feature. The Company also incurred total costs of $5,510,562 for capital raising services on these transactions. The costs of the capital raising services include $369,215 paid in cash, $768,337 for the fair value of 2,088,272 restricted shares of common stock, and $4,373,010 for the fair value of 21,853,086 warrants.

(6) In March 2008, the Company issued 760,000 warrants to a noteholder as compensation for the Company's failure to issue the proper amount of warrants and provide an adequate exercise term in the original 2006 issuance. These warrants have a 3-year term and are exercisable at $0.245 per share. Interest expense of $329,137 was recorded for the fair value of these warrants.

(7) Pursuant to the exercise of 871,410 warrants for cash, the Company issued 871,410 shares of its common stock and received proceeds of $221,104. In addition, the Company issued 2,023,148 shares of common stock in cashless exercises of 8,455,333 warrants.

The following table summarizes the Company's stock warrant information during the years ended April 30:

	2009		2008	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	125,647,919	$ 0.25	78,254,555	$ 0.25
Granted	3,532,000	0.27	72,917,607	0.25
Exercised	(8,163,000)	0.27	(16,197,500)	0.25
Forfeited	(5,000)	0.10	(9,326,743)	0.24
Outstanding, end of year	121,011,919	$ 0.25	125,647,919	$ 0.25

The fair value of each warrant was estimated at the grant date using the Black-Scholes option-pricing model using the following assumptions: an average risk-free interest rate of 3.2% and 2.0% for 2009 and 2008, respectively; average volatility of 95.1% and 92.9% for 2009 and 2008, respectively; zero dividend yield for all years; and expected life of 2-5 years.

The Company issues new shares to satisfy stock option and warrant exercises. The total intrinsic value of options and warrants exercised during the years ended April 30, 2009 and 2008 was approximately $4,457,228 and $50,000 respectively.

NOTE H—INCOME TAXES

No provision for federal and state income taxes has been recorded as the Company has incurred net operating losses through April 30, 2009. The Company's federal net operating loss carryforwards as of April 30, 2009 are approximately $60,250,000. Loss carryforwards totaling approximately $875,000 expired in the fiscal year ended April 30, 2009. The remaining loss carryforwards will continue to expire at various times through April 30, 2029. Deferred tax assets of approximately $26,510,000 and $15,900,000 at April 30, 2009 and 2008, respectively, include the effects of these net operating loss carryforwards and research and development credit carryforwards. A valuation allowance has been provided for the full amount of the deferred tax assets due to the uncertainty of realization. Utilization of the Company's net operating loss carryforwards will be limited based on ownership changes under Section 382 of the Internal Revenue Code.

The provision for income taxes was $0 for each of the two years ended April 30, 2009 and 2008.

The deferred tax benefit differs from the amount computed by applying the federal income tax rate as follows:

	Years ended April 30,	
	2009	2008
Statutory federal tax rate	35%	35%
State income taxes, net of federal benefit	9%	9%
Valuation allowance	(44)%	(44)%
	0%	0%

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Deferred income taxes reflect the tax effect of temporary differences between the carrying amounts used for income tax purposes and the amounts used for income tax purposes. The components of deferred tax assets are as follows:

	As of April 30,	
	2009	2008
Net operating loss carryforwards	$ 26,510,000	$ 15,900,000
Valuation allowance	(26,510,000)	(15,900,000)
Net deferred tax asset	$ —	$ —

In June 2006, The FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109." Interpretation No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interpretation No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect, if any, of applying the Interpretation is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. The impact of the Company's reassessment of its tax positions in accordance with Interpretation No. 48 did not have an effect on the Company's results of operations, financial condition or liquidity. As of April 30, 2009, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax as well as income tax of multiple state tax jurisdictions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending April 30, 2005 through 2009. The Company's state income tax returns are open to audit under the statute of limitations for the years ended April 30, 2005 through 2009. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

NOTE I—RELATED PARTIES

During fiscal year 2008, the Company paid $95,200 to a specialty contract manufacturer of pharmaceutical products to manufacture the Company's perfluorocarbon-based blood substitute and therapeutic oxygen carrier for upcoming clinical trials. The Company had no amounts due to this entity as of April 30, 2008. An officer of the Company is a minority shareholder and director of this specialty manufacturer.

Robert Nicora, an officer and director, purchased a bridge note from the Company in July 2007 in the principal amount of $5,300 and warrants to purchase 53,000 common shares at an exercise price of $0.245 per share that expire July 26, 2012. Mr. Nicora's service as an officer and director ended in November 2007. In January 2008, Mr. Nicora agreed to exchange the bridge note and all accrued interest in the amount of $5,565 for the Company's convertible notes in the aggregate principal amount of $12,367, which represents an original issue discount of 55 percent, and warrants to purchase 25,034 common shares at an exercise price of $0.245 per share that expire January 31, 2013. As of April 30, 2009, the Company paid $774 of this note through the issuance of 3,132 shares of common stock. The outstanding balance of the note as of April 30, 2009 and 2008 was $11,593 and $12,367, respectively.

As of April 30, 2009 and 2008, the Company had approximately $0 and $128,000, respectively, payable to directors of the Company.

NOTE J—MERGER

On June 17, 2008, the stockholders of Synthetic Blood International, Inc. approved the Agreement and Plan of Merger dated April 28, 2008 ("Plan of Merger"), between Synthetic Blood International and Oxygen Biotherapeutics, Inc., a Delaware corporation. Oxygen Biotherapeutics was formed on April 17, 2008, by Synthetic Blood International to participate in the merger for the purpose of changing the state of domicile of Synthetic Blood International from New Jersey to Delaware. Certificates of Merger were filed with the states of New Jersey and Delaware, and the merger was effective June 30, 2008. Under the Plan of Merger, Synthetic Blood International has been merged with and into Oxygen Biotherapeutics, which is the surviving corporation. As a result of the merger: (a) Each share of Synthetic Blood International common stock outstanding on June 30, 2008, has been converted to one share of Oxygen Biotherapeutics common stock; (b) The name of the corporation is changed to Oxygen Biotherapeutics, Inc.; (c) The number of authorized common shares changed from 200,000,000 common shares, par value $0.01, to 400,000,000, par value $0.0001; (d) The Certificate of Incorporation and Bylaws of Oxygen Biotherapeutics are now the charter documents for the corporation; and (e) The General Corporation Law of the State of Delaware now applies to the corporation, rather than the New Jersey Business Corporation Act.

NOTE K—SUBSEQUENT EVENTS

On February 22, 2009 the Company signed a memorandum of understanding (MOU) with Virginia Commonwealth University (VCU) to jointly establish the Purple Heart Injury Lab (PHIL) to focus on development of battlefield injury treatment and then translate such treatments for civil commercial use. The MOU requires that the two organizations develop a business plan for the operation of PHIL within ninety (90) days of the signing of this MOU. To fund the PHIL initiative, on February 22, 2009 the Company filed a Senate Defense Appropriation request for $15 million in federal funding for the PHIL initiative. On May 12, 2009 VCU withdrew their support of the PHIL initiative.

On June 8, 2009, the Company entered into a securities purchase agreement with Vatea Fund, Segregated Portfolio, an investment fund formed under the laws of the Cayman Islands (the "Financing Transaction"). Under the terms of the agreement, Vatea Fund purchased on July 10, 2009, 20 million shares of the Company's restricted common stock at a price of $0.25 per share, or a total of $5 million. Furthermore, the agreement establishes milestones for the achievement of product development and regulatory targets and other objectives, after which Vatea Fund is required to purchase additional shares of common stock at a price of $0.25 per share.

OXYGEN BIOTHERAPEUTICS, INC.
(FORMERLY SYNTHETIC BLOOD INTERNATIONAL, INC.)
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of April 30, 2009 and 2008, and for the years then ended.

Target dates are the estimated dates by which the corresponding milestone will be accomplished. If a milestone is not achieved by its corresponding target date, then the date is automatically extended for three months. Thereafter, if a milestone is not achieved by its extended target date, the Company and Vatea Fund shall negotiate in goodfaith agreement on a new target date for the milestone, but if no agreement is reached within 30 days Vatea Fund has no obligation to purchase any shares with respect to that milestone should it subsequently be achieved. The obligation of Vatea Fund to purchase any additional shares upon achieving milestones ends for any milestones not achieved by September 30, 2011.

The number of shares Vatea Fund is required to purchase depends on whether the Company is able to acquire and cancel outstanding warrants to purchase common stock. If less than 60 million outstanding warrants are acquired and canceled, Vatea Fund is obligated to purchase 40 million additional shares for $10 million, but if more than 60 million warrants are acquired and canceled, Vatea Fund will purchase 60 million additional shares for $15 million. Including the initial investment in July 2009, and assuming all milestones are achieved in a timely manner, the securities purchase agreements provides for a minimum of 60 million shares being sold for $15 million and a maximum of 80 million shares for $20 million. The number of shares issued is subject to adjustment for stock dividends, stock splits, reverse stock splits, and similar transactions. On July 17, 2009, the Company repurchased 70,913,000 outstanding warrants.

After Vatea Fund purchases 40 million shares for $10 million, including the initial sale of shares in July 2009, the Company agreed to elect to the board of directors a person nominated by Vatea Fund.

Vatea Fund was introduced to the Company through the efforts of two consultants in Europe. For its services, OBI has agreed to pay one of the consultants

(1) Cash in amount equal to 10% of the payment paid at each closing in the Financing Transaction where the sum of the payment paid for our shares at that closing and the payments for all shares sold in closings prior to that closing, but subsequent to the last closing with respect to which a cash fee was paid to the consultant, equals or exceeds $5,000,000; and

(2) Shares of restricted common stock in an amount equal to 5% of the shares issued at each closing, rounded to the nearest whole share, which (assuming all milestones are achieved on time) is a minimum of 3 million common shares and a maximum of 4 million shares.

The shares will be issued to Vatea Fund and the consultant in reliance on the exemptions from registration set forth in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated thereunder based on their representations that they are “accredited investors” as defined in Rule 501 of Regulation D. The shares of the Company’s common stock issued in the securities purchase agreement will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Exhibit 10.20

This agreement dated January 26, 2009, is made By and Between Oxygen Biotherapeutics, Inc., whose address is 3189 Airway Avenue, Building C, Costa Mesa, CA92626, ("Company"), AND Edward J. Sitnik, whose address is 302 Highlands Bluffs Drive, Cary, NC 27518 ("Consultant.")

1. Consultation Services. The company hereby employs the consultant to perform the Following services in accordance with the terms and conditions set forth in this agreement: The consultant will consult with the officers and employees of the company concerning matters relating to the management and organization of the company, their financial policies, the terms and conditions of employment, and generally any matter arising out of the business affairs of the company.

2. Terms of Agreement. This agreement will begin January 26, 2009 either party may cancel this agreement on ninety (90) days notice to the other party in writing, by certified mail or personal delivery.

3. Time Devoted by Consultant. It is anticipated that the Consultant will be required to perform/ devote the time to the company as described below; in fulfilling its obligations under this contract:

- Attend four annual (once a quarter) audit committee meetings.
- Attend three annual (September, December, March) audit results meeting (could be at the same time as the meeting described above but not required)
- Attend one annual (June) year-end audit results meeting.
- Contribute expertise on Sarbanes-Oxley and other control matters as requested by management. However the time commitment is not to exceed six days in any one month.
- At each meeting described above, the consultant will assume the role of "Financial Expert" as that term is defined in the Sarbanes-Oxley Act of 2002.

The particular amount of time may vary from day to day or week to week. However, the Consultant shall devote sufficient time to its duties in accordance with this agreement.

4. Place Where Services Will Be Rendered. The consultant will perform most services In accordance with this contract at a location of consultant's discretion. In addition the Consultant will perform services on the telephone and at such their places as necessary to perform these services in accordance with this agreement.

5. Payment to Consultant. The consultant will be paid, $1,000 per month; $12,000 annually, for work performed in accordance with this agreement. This work should be that requested by the Company. In case the Consultant served on a committee of the company, the Company will substitute a portion of hourly pay with a monthly retainer for the portion of the committee work. Payment will be by electronic transfer on, or before the 20th day of each month, as long as the agreement is in force. Consultant is entitled to reimbursement of reasonable expenses for travel. The company will reimburse the consultant expenses as indicated by statements submitted by he consultant within ten (10) days of receipt.

Also the consultant will receive options containing the right to purchase fifty—thousand shares (50,000) of the company's stock. These options will vest upon the completion of one-year of continuous service to the company and will have a three-year life.

6. Independent Contractor. Both the company and the consultant agree that the consultant will act as an independent contractor in the performance of its duties under this contract. Accordingly, the consultant shall be responsible for payment of all taxes including Federal, State and local taxes arising out of the consultant's activities in Accordance with this contract, including by way of illustration but not limited to, Federal and State income tax, Social Security tax, Unemployment Insurance taxes, and any other taxes or business license fee as required.

7. Confidential Information. The consultant agrees that any information received by the Consultant during any furtherance of the consultant's obligations in accordance with this contract, which concerns the personal, financial or other affairs of the company Will be treated by the consultant in full confidence and will not be revealed to any other persons, firms or organizations.

8. Liability. With regard to the services to be performed by the Consultant pursuant to the terms of this agreement, the Consultant shall not be liable to the Company, or to anyone who may claim any right due to any relationship with the Corporation, for any acts or omissions in the performance of services on the part of the Consultant or on the part of the agents or employees of the Consultant. The Company shall hold the Consultant free and harmless from any obligations, costs, claims, judgments, attorneys' fees, and attachments arising from or growing out of the services rendered to the Company pursuant to the terms of this agreement or in any way connected with the rendering of services, except when the Consultant is adjudged to be guilty of willful misconduct or gross negligence by a court of competent jurisdiction.

9. Arbitration. Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by mediation in accordance of the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) shall be entered in any court having jurisdiction thereof. For that purpose, the parties hereto consent to the jurisdiction and venue of an appropriate court located in Orange County, State of California. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date the causers) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

By Company:

/s/ Chris Stern

Oxygen Biotherapeutics, Inc
By: Chris Stern, Chief Executive Officer

By Consultant:

/s/ Edward J. Sitnik

Consultant
Edward J. Sitnik

Exhibit 10.21

DEVELOPMENT AND SUPPLY AGREEMENT

THIS DEVELOPMENT AND SUPPLY AGREEMENT ***("Agreement")*** is made as of this 27th day of March 2009 (the ***"Effective Date")*** by and between Oxygen Biotherapeutics, Inc., having its principal place of business at 3189 Airway Avenue, Building C, Costa Mesa, California 92626 USA **(*"Oxygen Biotherapeutics"*** or ***"OBI")*** and Hospira Worldwide, Inc. having a principal place of business at 275 North Field Drive, Lake Forest, Illinois, 60045, U.S.A. ***("Hospira").***

WITNESSETH:

WHEREAS, OBI owns rights to the therapeutic perfluorocarbon oxygen carrying compound, Oxycyte,® currently under phase IIb clinical trials for use in the treatment of traumatic brain injury;

WHEREAS, OBI desires to enter into an agreement with Hospira to perform development, formulation, fill and finish services with respect to the Oxycyte® compound for use in such clinical trials and thereafter, for commercial sale and use in the market; and

WHEREAS, Hospira is willing to perform such services for OBI with respect to the Oxycyte® compound.

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, OBI and Hospira agree as follows:

Article 1. Definitions

The following words and phrases when used herein with capital letters shall have the meanings set forth or referenced below:

1.1 ***"Act"*** shall mean the current good manufacturing practices as set forth in the Federal Food, API and Cosmetic Act (21 U.S.C. 301), as amended.

1.2 ***"Active Pharmaceutical Ingredient"*** or ***"API"*** shall mean the active pharmaceutical ingredient of the Oxycyte® compound in bulk form that OBI shall deliver to Hospira for incorporation into Product (as hereinafter defined) and meeting the applicable Active Pharmaceutical Ingredient Specifications (as hereinafter defined).

1.3 ***"Active Pharmaceutical Ingredient Specifications"*** shall mean the detailed description and parameters of the API set forth on Exhibit 1.3.

1.4 ***"Affiliate"*** shall mean any corporation or non-corporate business entity which controls, is controlled by, or is under common control with a party to this Agreement. A corporation or non-corporate business entity shall be regarded as in control of another corporation or non-corporate business entity if it owns, or directly or indirectly controls, in excess of fifty percent (50%) of the voting stock of the other corporation, or: (a) in the absence of the ownership of in excess of fifty percent (50%) of the voting stock of a

corporation; or (b) in the case of a non-corporate business entity, if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation or non-corporate business entity, as applicable.

1.5 ***"Applicable Laws"*** means all applicable, federal, state and local laws, ordinances, rules and regulations including, without limitation, the Act (as defined herein), cGMP, the Canadian Food and Drug Act and Regulations, the Swiss Law on Therapeutic Products and the corresponding laws, ordinances, rules and regulations of any other applicable jurisdiction.

1.6 ***"Batch Records"*** means Product batch-specific manufacturing, packaging and test records and documentation relating to manufacturing, packaging and release of each batch, exception documentation, deviations/discrepancies and additional documentation generated and/or processed as part of the production record of the relevant batch.

1.7 ***"Certificate of Analysis"*** means, for each Product batch produced, the form of Hospira's document setting forth the measured and observable characteristics of Product from the batch, and confirming that such batch meets the Product Specifications. Each Certificate of Analysis shall include: (a) a listing of tests performed by or on behalf of Hospira, test date(s), and test results; and (b) a reference to or inclusion of the related Certificate of Compliance. The Parties shall from time to time agree upon a format or formats for the Certificate of Analysis to be used under this Agreement.

1.8 ***"Certificate of Compliance"*** means, for each Product batch, the form of Hospira's document: (a) listing the manufacturing date, the unique batch number, and the quantity of Product in such batch, and (b) certifying that such batch was manufactured in accordance with Applicable Laws, including, without limitation, cGMP. The Certificate of Compliance may be included within the Certificate of Analysis, or separately, if required by OBI for regulatory purposes or Applicable Law.

1.9 ***"cGMP"*** shall mean the current good manufacturing practices as set forth in 21 C.F.R. Part 210 and Part 211, as applicable and the current International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, Guidance for Industry Q7A Good Manufacturing Practice Guidance for Active Pharmaceutical Ingredients, as amended and revised.

1.10 ***"Confidential Information"*** shall mean all information disclosed hereunder in writing and identified as being confidential or, if disclosed orally, visually or through some other media, is identified as confidential at the time of disclosure and is summarized in writing within thirty (30) days of such disclosure and identified as being confidential, except any portion thereof which:

(a) is lawfully known to the recipient at the time of the disclosure, as evidenced by its written records or other competent evidence;

(b) is disclosed to the recipient by a third person lawfully in possession of such information and not under an obligation of nondisclosure;

(c) is or becomes patented, published or otherwise part of the public domain through no fault of the recipient;

(d) is developed by or for the recipient independently of Confidential Information disclosed hereunder as evidenced by the recipient's written records or other competent evidence; or

(e) is required by law to be disclosed by the recipient, *provided* that the recipient gives the other party hereto prompt notice of such legal requirement such that such other party shall have the opportunity to apply for confidential treatment of such Confidential Information.

1.11 ***"Contract Year"*** shall mean a period of twelve (12) consecutive months which, for the first Contract Year of this Agreement, shall commence on the first day of the month after the month that OBI (acting by itself or through any commercial partner) makes its first bona fide sale of Product manufactured by Hospira to a non-Affiliate customer after Product has received an approved regulatory filing from any of the FDA, Health Canada or Swissmedic and/or a corresponding government marketing approval in an international market from an appropriate Regulatory Authority (as hereinafter defined), and each Contract Year thereafter shall consist of twelve (12) consecutive months following the end of the preceding Contract Year.

1.12 ***"Development Fee"*** shall mean all monies due and payable to Hospira in respect of development activities and services rendered as defined in Section 3.1 and further detailed in Exhibit 2.1.

1.13 ***"Development Supplies"*** shall mean Products to be manufactured in engineering runs and for process validation purposes as set forth in Section 3.4.

1.14 ***"DMFs"*** shall mean API Master Files as set forth in Section 4.3.

1.15 ***"FDA"*** shall mean the U.S. Food and Drug Administration and any successor agency.

1.16 ***"Health Canada"*** shall mean the Inspectorate of the Health Product and Food Branch of Canada.

1.17 ***"Initial Term"*** shall have the meaning set forth in Section 10.1.

1.18 ***"Letters of Authorization"*** shall mean documentation which shall be prepared and delivered by Hospira to the appropriate Regulatory Authorities permitting such Regulatory Authorities to consult Hospira's DMFs in their review of OBI's Product marketing applications as set forth in Section 4.3.

1.19 ***"MSDS"*** shall mean Material Data Safety Sheets, as set forth in Section 5.6.

1.20 ***"Product"*** or ***"Products"*** shall mean the drug, Oxycyte® in a final dosage form, filled and finished in accordance with the Product Specifications (as defined herein).

1.21 ***"Product Data"*** means the information, documents, and records relating to the Product created in connection with the Project or the manufacture of the Product. The term "Product Data" may include, without limitation, documents and records pertaining to manufacture of Product, Batch Records (including without limitation the master Batch Records), Certificates of Analysis, Certificates of Compliance, an identification of the analytical test methods employed and analytical test results achieved, and all other relevant documents, reports and data prepared, developed or generated by Hospira in connection with performance of the Project and the manufacturing of Product hereunder. The term "Product Data" shall expressly exclude raw data developed and other information that is Hospira's Confidential Information that is not specific to OBI or the Product and is related to Hospira's manufacturing processes that are generally applicable to its manufacturing operations.

1.22 ***"Product Placebo"*** shall mean a form of the Product intended for human use and manufactured fully in accordance with the Product Specifications (as defined herein), but without the inclusion of the Oxycyte® compound. For purposes of this Agreement, the term Product shall include Drug Product Placebo unless the context specifically requires otherwise.

1.23 ***"Product Specifications"*** shall mean those product, labeling and performance specifications for Products filed with the FDA or other appropriate Regulatory Authorities, including Product formulae, labeling, and materials required for the manufacture of the Products that are to be purchased and supplied under this Agreement, as such are set forth on Exhibit 1.23, which may be amended in accordance with Section 5.1.

1.24 ***"Project"*** shall mean development activities undertaken by OBI and Hospira, (as further detailed in Section 2.1 and Exhibit 2.1) necessary for regulatory approval and commercial manufacture of the Products.

1.25 ***"Project Inventions"*** shall have the meaning set forth in Section 9.1.

1.26 ***"Regulatory Authority"*** shall mean any federal, state or local or international regulatory agency, department, bureau or other governmental entity (including the FDA, Health Canada and Swissmedic) which is responsible for issuing approvals, licenses, registrations or authorizations necessary for the manufacture, use, storage, import, transport or sale of the Products in a regulatory jurisdiction.

1.27 ***"Specially Regulated Waste"*** shall mean any hazardous waste, toxic waste, medical waste, nuclear waste, mixed waste, or other waste materials, which may be subject to or require special handling, treatment, storage, or disposal under any federal, state or local laws or regulations intended to address such types of waste materials that arise from the manufacture of the Products.

1.28 ***"Swissmedic"*** shall mean the Swiss Agency for Therapeutic Products.

1.29 ***"Third Party"*** shall mean a party other than Hospira or OBI and its respective Affiliates.

1.30 ***"Waste"*** shall mean all rejects, improper goods, garbage, refuse, remainder, residue, waste water or other discarded material, including solid, liquid, semisolid, or contained gaseous material that arises from the manufacture of the Products, including but not limited to, rejected, excess or unsuitable materials, API and Products. The term Waste shall not include any Specially Regulated Waste.

Article 2. Development Project

2.1 ***General.*** Promptly following the Effective Date, the parties shall undertake a product development project ***("Project")*** consisting of the development activities set forth in Exhibit 2.1. The objective of the Project shall be for Hospira to assist in the development of the Products and to assist OBI in obtaining an approved regulatory filing with the FDA (and/or foreign Regulatory Authority equivalents) covering the Products. Hospira then shall manufacture and deliver Products to OBI for sale by OBI as human pharmaceutical products, as herein provided.

2.2 ***Commercially Reasonable Efforts.*** Each party shall use its commercially reasonable efforts to successfully complete the Project. However, the parties agree and understand that neither party hereto guarantees that the Project will be successful, nor warrants or guarantees that a marketable product will result from the Project.

Article 3. Payment for Hospira's Development Efforts

3.1 ***Development Fee.*** To reimburse Hospira for its participation in the Project, OBI shall pay to Hospira a development fee of Eight Hundred Seventy-Six Thousand United States Dollars ($US 876,000) ***("Development Fee").*** The Development Fee shall be paid to Hospira in accordance with the payment schedule set forth in Exhibit 3.1

3.2 ***Changes in Project Scope.*** If OBI requests changes in the Project or the Product Specifications, or if reasonably unforeseeable technical difficulties beyond the control of Hospira require that Hospira perform either additional work or repeat work, and such additional work or repeat work is not required due to Hospira's fault or negligence, Hospira shall provide OBI with cost estimates for such work. If OBI approves such costs, Hospira shall perform such work and OBI shall pay Hospira's costs for such work within thirty (30) days of completion of such work. Reimbursement for such additional work or repeat work shall be at the rate of Two Hundred Eighty U.S. Dollars ($US 280.00) per hour per person, plus out-of-pocket costs for reasonable travel and sustenance, materials and supplies.

3.3 ***Project Managers.*** Promptly after the Effective Date, each party shall designate one of its employees to act as its project manager (each, a ***"Project Manager"),*** who will be primarily responsible for communicating all instructions and information concerning the various development activities undertaken in the Project. The Project Managers shall consult periodically during the

course of the Project, through face-to-face meetings, telephone conferences and/or videoconferences, at times to be mutually agreed upon between them. Each party shall appoint a substitute or replacement Project Manager in the absence of its original Project Manager and shall notify the other party in writing of such substitution or replacement. The Project Managers shall not have the right to modify, amend or waive any provision of this Agreement, including, without limitation, any provisions of the Project's statement of work.

3.4 ***Development Supplies.*** Based on OBI's final Product formulations, concentration and fill volume and the parties' agreement to the final Product Specifications, Hospira will manufacture the Products in engineering runs and for process validation purposes ***("Development Supplies")*** at the prices set forth in the Batch Pricing Table in Exhibit 2.1. Smaller batches may be quoted individually based on batch size. OBI shall issue a purchase order for any such Development Supplies at least one-hundred and twenty (120) days before the requested delivery date. OBI and Hospira shall agree mutually to the formulation, concentration, fill volume and the components for each lot of Development Supplies.

Article 4. OBI's Regulatory Submissions

4.1 ***Hospira's Right to Review.***

(a) Hospira shall have the right to review and consult on those portions of OBI's proposed regulatory submissions relating to Hospira's packaging or manufacturing procedures before the submissions are filed with appropriate Regulatory Authorities. Hospira shall complete its review of any English-language submissions within sixty (60) days after receipt. The parties will agree on the time required for Hospira's review of submissions in other than English language without translation, which will extend Hospira's review period for the purpose of providing a reasonable period for document translation.

(b) Hospira shall consult with and advise OBI in responding to questions from Regulatory Authorities regarding OBI's submission(s) for the Products, *provided* that OBI shall have the final control over such submissions. Hospira shall provide OBI with cost estimates for any required additional review and consultation. If OBI approves such costs in writing, OBI shall reimburse Hospira for such additional activities at the rate of One Hundred Eighty-Five United States Dollars ($US 185.00) per hour per person. OBI shall be the sole owner of any regulatory submission filed pursuant to this Agreement. OBI shall provide to Hospira for its files a final copy of the CMC section of any such regulatory submission(s).

4.2 ***Supplemental International Regulatory Filings.*** Hospira shall quote a price for supplemental international regulatory, packaging and development work to support international filings (excluding the United States, Canada and Switzerland) separately and on a country-by-country basis.

4.3 ***Access to Drug Master Files.*** Hospira shall grant OBI reference rights to all Drug Master Files ***("DMFs")*** necessary to support OBI's applications for marketing authorizations of the Products. To affect this, Hospira shall promptly execute certain documentation ***("Letters of Authorization")*** which shall be delivered to the appropriate Regulatory Authorities permitting such Regulatory Authorities to consult Hospira's DMFs in their review of OBI's Product marketing applications. Hospira shall promptly

send copies of such Authorization Letters to OBI. Hospira shall update its DMFs annually and shall inform OBI prior to any modifications thereto in order to permit OBI to amend or supplement any affected regulatory applications and filings for Product.

4.4 ***User Fees.*** OBI shall pay any FDA (or foreign equivalent) user fees which may become payable for Product.

Article 5. Manufacture and Supply of Products

5.1 ***Purchase and Sale of Products.***

(a) ***Requirements.*** Subject to any exceptions contained herein, for the duration of this Agreement, Hospira shall manufacture, sell and deliver to OBI, and OBI shall purchase and take delivery from Hospira the entirety of its requirements of clinical and commercial Products from Hospira on the terms and conditions provided herein.

(b) ***Clinical Supply and Other Products.*** Subject to the terms and conditions of this Agreement, during the Term, Hospira agrees to Manufacture and sell, and OBI agrees to buy, its requirements of the Products and Placebo Products for Phase IIb clinical batches, media runs and engineering batches ***("Initial Runs"),*** as specified on purchase orders to be placed by OBI in accordance with the provisions of Article 6. If OBI requests Hospira to manufacture additional clinical batches of the Products and Placebo Products, Hospira shall do so on substantially similar terms and conditions applicable to the Initial Runs.

(c) ***Commercial Supply.*** Upon successful completion of OBI's clinical trials, Hospira will manufacture commercial Products for OBI' marketing, promotion, sale and use in the market, in accordance with the terms of this Agreement and at the commercial prices to be negotiated by the parties in good faith.

5.2 ***Manufacturing Standards.*** Hospira shall manufacture the Products in accordance with the Product Specifications. The parties may alter from time to time the Product Specifications by written agreement without amending this Agreement.

5.3 ***Government Approvals.*** Hospira agrees to manufacture and supply those quantities of Products requested in firm purchase orders by OBI that are necessary to validate Hospira's manufacturing facilities, obtain regulatory approval(s) and build OBI's inventory in anticipation of commercial launch of the Products and OBI shall be required to pay for such Products irrespective of whether the Products ultimately receive all necessary Regulatory Authorities' approvals.

5.4 ***Active Pharmaceutical Ingredient.***

(a) ***Supply.*** Hospira shall manufacture the Products for OBI from the API that OBI shall supply to Hospira at no cost. OBI shall supply API to Hospira in quantities sufficient to satisfy Hospira's gross manufacturing requirements of Product. Hospira's use of API received from OBI shall be limited to development contemplated by this Agreement and the manufacture of Product for OBI .

OBI shall ship all required quantities of API DDP (Incoterms 2000) to Hospira's manufacturing plant in Clayton North Carolina, pursuant to no-cost purchase orders that Hospira issues to OBI. OBI shall be responsible for all costs of transport and carriage insurance. Within thirty (30) days of Hospira's receipt of any API supplied by OBI hereunder, Hospira shall: (i) perform an identification test on the API and confirm the shipment quantity; and (ii) notify OBI of any inaccuracies with respect to quantity or of any claim that any portion of the shipment fails the identification test. In the event Hospira notifies OBI of any deficiency in the quantity of API received, OBI shall promptly ship to Hospira, at OBI's own expense, the quantity of API necessary to complete the API shipment. In the event Hospira notifies OBI that the API shipment does not conform to the API Specifications, OBI shall have the right to confirm such findings at Hospira's manufacturing location. If OBI determines that such shipment of API conformed to the API Specifications, the parties shall submit samples of such shipment to a mutually acceptable independent laboratory for testing. If such independent laboratory determines that the shipment conformed to the API Specifications, Hospira shall bear all expenses of shipping and testing such shipment samples. If OBI or such independent laboratory confirms that such shipment did not meet the API Specifications, OBI shall replace, at no cost to Hospira, the portion of the API shipment which does not conform to the API Specifications and bear all expenses of shipping and testing the shipment samples.

(b) ***Title.*** Notwithstanding the DDP shipping terms set forth in Section 5.4(a), OBI shall at all times retain title to and risk of loss of the API; *provided, however,* that subject to the limitation in Section 5.4(c), Hospira shall assume full responsibility and risk for the safekeeping, storage and handling for all API in its possession and all shipments of API delivered hereunder and accepted by Hospira.

(c) ***Replacement.*** In the event of loss or damage of any API delivered hereunder or the failure of Product to meet Product Specifications, OBI shall supply to Hospira replacement API according to the terms set forth in Sections 5.4(d & e), except as otherwise provided herein. If the replacement of such API results from a negligent act or omission or breach of this Agreement by Hospira in the manufacture, handling or storage of Product or API, OBI shall supply to Hospira replacement API and Hospira shall be responsible for the cost of the replacement API equal to OBI's purchase cost/kg (as evidenced by OBI's invoices).

(d) ***API Consumption.*** After Hospira has completed its initial validation runs of Product and during the initial stages of Hospira's clinical manufacture of Product, the parties shall consult with a view to develop a strategy for maximizing Hospira's production yield of Product from the API supplied by OBI. Based upon such consultations, the parties shall establish a maximum consumption factor target for Product to be manufactured in accordance with OBI's purchase orders. When Hospira has achieved production of consistent batch quantities of Product in accordance with the maximum consumption factor target, the parties shall meet to set out in writing binding terms and conditions for production criteria, such as an API yield minimum, permitted variances of quantities of Product to be delivered according to OBI's purchase orders and consequences of out-of-variance performance. Notwithstanding the foregoing, once the maximum consumption factor has been established, if, during any twelve (12) month period, Hospira's consumption of API to produce a given quantity of Product exceeds the maximum agreed upon consumption factor for such

quantity of Product, Hospira shall promptly reimburse OBI for any API consumed in excess of that which would have been consumed if Hospira had performed within such maximum consumption factor at OBI's total cost, as evidenced by OBI's invoices, for such excess amount of API consumed.

(e) ***Maximum Liability.*** Notwithstanding any of the foregoing, in no event shall Hospira's aggregate liability for such replacement costs of API exceed: (i) where Hospira manufactures three (3) batches or less in a Contract Year – $50,000 per such year; (ii) where Hospira manufactures four to six (4-6) batches in a Contract Year – $100,000 per such year; and where Hospira manufactures six (6) batches or more in a Contract Year – $200,000 per such year. Subject to Section 8.3, this Section 5.4(e) states OBI's sole remedy, and Hospira's sole liability, with respect to any claim arising hereunder for any such loss, damage, excessive consumption or misuse of API by Hospira.

5.5 ***Dedicated Equipment Costs.*** If non-standard, specialized equipment is required to manufacture Product for OBI, Hospira shall pay the cost of such equipment, subject to OBI's prior approval of such costs, which approval shall not be unreasonably withheld. Hospira shall advise OBI of specialized equipment required and the estimated costs associated with the purchase, installation and validation of such equipment. After OBI approves such costs, Hospira shall install and validate the equipment and bill OBI for the associated costs. OBI shall make payment to Hospira no later than thirty (30) days after OBI receives an invoice from Hospira. Title to the equipment shall be in OBI's name. If Hospira wishes to use the specialized equipment for manufacture of a product other than Product for OBI, Hospira and OBI shall meet and discuss the technical and practical ramifications of such use and appropriate compensation to OBI.

5.6 ***Choice of Suppliers.*** The parties shall collaborate to select Third Parties to be qualified by Hospira as suppliers of excipients, primary containers, packaging and components ***("Raw Materials")*** for the manufacture of the Product. Such suppliers shall be selected and approved by Hospira in accordance with Hospira's quality systems and based on demonstrable quality and reliability criteria. As a safeguard against any potential short-term interruption in its manufacturing operations, Hospira will agree, based upon forecast information supplied by OBI: (a) to qualify a secondary Third Party supplier of Raw Materials; and (b) to maintain rotating safety stock of Raw Materials in an amount of no less than a quantity sufficient to manufacture two complete lots of Products. Hospira shall not unreasonably object to any Third Party supplier chosen by OBI.

5.7 ***Product Labeling.***

(a) Hospira shall label the Product in accordance with the Product Specifications using content provided by OBI. OBI shall control the content and type of all labeling and packaging (and any changes or supplements thereto) for the Product and shall have the responsibility, at OBI's expense, for: (i) ensuring such content is compliant with regulatory approvals and all Applicable Laws; and (ii) any changes or supplements to such content, including the expense of securing any approvals required any applicable Regulatory Authority for any such changes or supplements. Hospira shall be responsible for obtaining such labels (and any changes or supplements thereto) in accordance with the content specified by OBI .

(b) Any changes to the labeling and packaging shall be communicated to Hospira in writing at least seventy-five (75) days prior to the desired implementation date together with the required documentation specifying the content to be included in the labeling and packaging, including all necessary photo-ready art (or its substantial equivalent). OBI shall reimburse Hospira for Hospira's actual costs of making any changes under this Section 5.7(b) and for the cost of any labeling that Hospira is unable to use due to such changes.

5.8 ***Off-Site Waste.*** If necessary, Hospira shall hire, direct and pay all costs for a waste contractor to remove all Waste from Hospira's manufacturing facility for Product, consistent with the Product's Material Safety Data Sheets ***("MSDS").*** The costs associated with the removal of Specially Regulated Waste shall be borne by OBI. Hospira shall only dispose of Specially Regulated Waste at sites and through waste management vendors that have been approved in writing by OBI, whose approval shall not be withheld unreasonably. Hospira shall document the destruction of any Specially Regulated Waste in writing and provide copies of such written documentation to an authorized representative of OBI. OBI maintains the right, but not the obligation, to witness the actual disposal of Specially Regulated Waste. OBI shall, upon request by Hospira, provide the MSDS for the API and the MSDS for the Product to Hospira.

5.9 ***Delivery.*** Hospira shall ship the Products to OBI, EXW (Incoterms 2000), Hospira's manufacturing plant at Clayton, North Carolina. Title to and risk of loss over the Products shall pass to OBI at the time the Product is made available to a carrier designated by OBI at the loading dock of Hospira's Clayton, North Carolina plant. Hospira shall not ship any Product until both Hospira and OBI have released such Product pursuant to the Product Specifications and/or the Technical & Quality Agreement. OBI will be responsible for procuring carriage and insurance in an amount sufficient to cover the value of the contents, for all shipments. All freight, handling, insurance, duties, taxes and shipping expense will be borne by OBI. For any shipments outside the United States, OBI shall be the exporter of record; *provided, however,* that Hospira shall assist OBI in the preparation of any documentation necessary for export of the Products.

5.10 ***Price and Payment.***

(a) ***Price.*** Hospira shall invoice OBI for the Products delivered by Hospira at the prices set forth on Exhibit 5.10. Prices are firm through December 31st of 2009. Beginning January 1st of 2010 and thereafter and on each succeeding January 1st during the Term hereof, prices may be increased by Hospira. Price increases shall be effective for deliveries beginning January 1st of each calendar year. Such increases shall not exceed the annual percentage increase for the most recent twelve (12) month period for which figures are available in the Product Price Index, Pharmaceutical Preparations, Ethical (Prescription), Commodity Code PCU325412, issued by the Bureau of Labor Statistics, U.S. Department of Labor *(http://www.bls.gov/ppi/ppi_dr.pdf)*.

(b) ***Payment.*** Hospira shall invoice OBI upon shipment of Product. OBI shall make payment net thirty (30) days from the date of receipt of Hospira's invoice.

(c) ***Taxes.*** Any federal, state, county or municipal sales or use tax, excise, customs charges, duties or similar charge, or any other tax assessment (other than that assessed against income), license, fee or other charge lawfully assessed or charged on the manufacture, sale or transportation of Product sold pursuant to this Agreement, and all government license filing fees and Prescription API User (PDUFA) annual establishment fees with respect to all Product shall be paid by OBI.

(d) ***Process Rework.*** Process rework created as a result of OBI's changes shall be billed separately at a reasonable fee mutually agreed upon in writing.

(e) ***Sub-Lots.*** Should OBI desire Hospira to split a manufacturing lot of Product into several sub-lots during packaging, there will be a split fee of Eight Thousand U.S. Dollars ($US 8,000) for each sub-lot packaged.

(f) ***Storage Fee.*** A storage fee shall be due and payable to Hospira if OBI stores Product at Hospira's plant greater than thirty (30) days after Product's release by Hospira. The fee shall be One Thousand U.S. Dollars ($US 1,000) per pallet (each pallet containing approximately 2,592 bottles/units of Product) per month or any part thereof. OBI will use its commercially reasonable efforts to take delivery of all Products from Hospira's Clayton, North Carolina facility no later than ninety (90) days after Hospira's Product release.

5.11 ***Nonconforming Shipment.*** All Product manufactured pursuant to this Agreement shall be received by OBI subject to OBI' right to conduct inspections and performance testing of such Product. OBI or its designee shall examine Product delivered hereunder promptly after actual receipt thereof by OBI or its designee utilizing such methodology as OBI shall implement from time to time in its sole discretion. OBI shall have a period of thirty (30) days from the date of its receipt of a shipment of the Products to inspect each such shipment. OBI shall be entitled to reject any shipment of Product that: (i) does not conform to the Product Specifications; or (ii) that was not manufactured in accordance with Applicable Laws, including without limitation, cGMP. If OBI rejects such shipment, it shall promptly so notify Hospira and provide to Hospira samples of such shipment for testing. If Hospira tests such shipment and determines that it did conform to the Product Specifications, the parties shall submit samples of such shipment to a mutually acceptable independent laboratory for testing. If such independent laboratory determines that the shipment conformed to the Product Specifications, OBI shall bear all expenses of shipping and testing such shipment samples. If Hospira or such independent laboratory confirms that such shipment did not meet the Product Specifications, Hospira shall replace, at no cost to OBI, that portion of the Product shipment which does not conform to the Product Specifications, and shall bear all expenses of shipping and testing the shipment samples. Any nonconforming portion of any shipment shall be disposed of as directed by Hospira, at Hospira's expense. Any Products that OBI does not reject pursuant to this Section 5.11 shall be deemed accepted, and any right to reject the Product for nonconformance hereunder shall be deemed waived by OBI , except OBI shall retain the right to revoke acceptance of Product for a latent defect which is not reasonably discoverable, which renders the Products not conforming to Product Specifications, and are solely caused by Hospira. For purposes of clarity, a latent defect shall be considered as any defect not discoverable even by the exercise of ordinary diligence and reasonable care. OBI shall not be required to pay Hospira for any Products which have been finally rejected pursuant to this Section 5.11. Hospira shall replace all finally rejected Products at no additional cost to OBI as soon as reasonably possible after receipt of test results confirming non-conformance with the Product Specifications.

Article 6. Orders and Forecasts

6.1 ***Two-Year Planning Estimate.*** For capacity planning purposes, by December 1, 2009, OBI shall provide Hospira with an initial, non-binding, written estimate of OBI's annual requirements of Product for the first two (2) calendar years of this Agreement. Thereafter, by September 1st of each calendar year OBI shall update such rolling forecast of its requirements of the Product for the period commencing on January 1st of the next calendar year.

6.2 ***First Firm Order.*** OBI shall place its first Firm Order (as defined below) approximately six (6) months in advance of the anticipated date of Product approval by Regulatory Authorities or the desired Product availability date.

6.3 ***Rolling Forecast.*** Concurrent with the placing of its first Firm Order, and thereafter on the first day of each calendar quarter thereafter, OBI shall provide to Hospira a six (6) -quarter forecast of its requirements of the Products (each, a ***"Rolling Forecast")*** for the eighteen (18) -month period beginning as of the date of the applicable Firm Order. The first two (2) quarters of each Rolling Forecast shall be considered a binding commitment upon OBI to purchase quantities described therein and a binding commitment upon Hospira to produce and deliver such quantities on the delivery dates described therein ***("Firm Order").*** The last four (4) quarters of each Rolling Forecast shall be non-binding upon the parties.

6.4 ***Firm Order Acceptance.*** Within thirty (30) days after receipt of a Film Order issued in accordance with Section 6.3, Hospira shall confirm to OBI its acceptance of the purchase order, delivery date(s) and quantity of Products ordered by OBI. Hospira may reject, in whole or in part, a Firm Order only if it: (a) calls for the delivery of Products for which sufficient quantities of API have not been delivered by OBI or its designee in accordance with Section 5.4; or (b) is provided less than ninety (90) days before the first requested delivery date of Products. Notwithstanding the foregoing, Hospira shall at all times use commercially reasonable efforts to meet the delivery dates set forth in each Firm Order.

6.5 ***Additional Quantities.*** Should OBI, in any Firm Order, order additional quantities of Product in excess of twenty-five percent (25%) over the latest Rolling Forecast, Hospira shall not be obligated to supply said additional quantities; *provided, however,* that Hospira shall use reasonable commercial efforts to produce and deliver to OBI said additional quantities within ninety (90) days of issuance of the Firm Order for such additional quantities.

6.6 ***Firm Order Changes or Cancellations.*** If, due to unforeseen circumstances, OBI requests changes to Firm Orders of Products within the two (2) quarter Firm Order period, Hospira shall use reasonable commercial efforts to accommodate the changes within reasonable manufacturing capabilities and efficiencies. If Hospira can accommodate such change, Hospira shall advise OBI of the costs, if any, associated with making any such change and OBI shall be deemed to have accepted the obligation to pay Hospira for such costs if OBI indicates in writing to Hospira that Hospira should proceed to make the change. If Hospira cannot accommodate such change, OBI shall be bound to the original Firm Order. If OBI cancels a Firm Order, Hospira shall be relieved of its obligation relating to such order but OBI will not be relieved of its obligation of payment unless Hospira agrees to such cancellation as set forth in this Section 6.6.

6.7 ***Purchase Order Terms.*** Each purchase order or any acknowledgment thereof, whether printed, stamped, typed, or written shall be governed by the terms of this Agreement and none of the provisions of such purchase order or acknowledgment shall be applicable except those specifying Product and quantity ordered, delivery dates, special shipping instructions and invoice information.

6.8 ***Supply Shortfall.*** Hospira shall promptly notify upon becoming aware of Force Majeure Event under Section 12.1 or any other event that would render Hospira unable to supply the quantities of Product to OBI pursuant to its Firm Orders.

6.9 ***Inability to Supply and Allocation of Resources.***

(a) ***Shortage.*** To the extent that Hospira fails to deliver the Product in accordance with any Firm Order, Hospira shall use its commercially reasonable efforts to make up such Firm Order as soon as possible unless such failure is a result of OBI's failure to supply API, any shortage in raw materials resulting from the failure of a supplier selected by OBI pursuant to Section 12.1(c) to supply raw materials (with the exception of any such failures resulting from any actions taken by Hospira), or as a result of OBI's fault, negligence or breach of this Agreement.

(b) ***Inability to Supply.*** In the event of an Inability to Supply, Hospira agrees to meet with OBI to discuss options to resolve the Inability to Supply and to minimize the impact of the Inability to Supply to OBI. Hospira agrees to cooperate with OBI in taking all actions that OBI deems reasonable to remedy such Inability to Supply. Upon any event of Inability to Supply at OBI's option, OBI shall have the right: (i) to cancel, without penalty, all Firm Orders accepted by Hospira and all outstanding Firm Orders affected by such Inability to Supply; and (ii) have a Third Party manufacture all or any portion of OBI's requirements for the Product until such time as Hospira provides OBI with ninety (90) days' written notice of Hospira's ability to resume manufacturing the Product.

(c) ***Third Party Manufacture.*** OBI's rights to Third Party manufacture shall continue for any remaining non-cancellable period of any contract that OBI shall have entered into with any Third Party for the supply of Product as a result of such Inability to Supply ***("New Supply Contract").*** OBI shall use all commercially reasonable efforts when entering into any such New Supply Contract to tailor the term of such New Supply Contract to be consistent with the expected period of the Inability to Supply. Notwithstanding anything to the contrary set forth in this Section 6.9, if, following any period of Inability to Supply hereunder, Hospira fails to provide OBI with notice and reasonable proof of ability to adequately supply OBI within twelve (12) months or Hospira notifies OBI that it will not be able to alleviate such Inability to Supply hereunder within such twelve (12) month period, OBI may terminate this Agreement without penalty upon notice of such termination.

(d) ***Definition.*** For purposes of this Section 6.9, "Inability to Supply" means (i) Hospira's failure to supply at least eighty percent (80%) of OBI's requirements for Product meeting Product Specifications for any two (2) consecutive calendar quarters due to

a Force Majeure Event, or for any other reason, or (ii) OBI reasonably concludes that Hospira, due to a Force Majeure Event, any unresolved manufacturing issue due to technical uncertainty or for any other reason, will be unable to supply at least eighty percent (80%) of OBI's requirements for Product meeting Product Specifications for a period which is expected to continue in excess of sixty (60) days. Inability to Supply shall not include any inability to supply resulting from OBI's failure to supply API; or as a result of OBI's fault, negligence or material breach of this Agreement.

(e) ***Allocation of Resources.*** In the event that Hospira is unable to manufacture Product under this Agreement and such inability is due solely to a failure by OBI to deliver API hereunder, to the extent that such failure by OBI to deliver API is expected to last longer than sixty (60) days, then Hospira may reallocate resources being held for manufacture of the Product for a period equal to the period of the expected continuance of such failure to provide API by OBI plus ninety (90) days, or as otherwise as mutually agreed in writing by the parties ***("Allocation Period").*** Upon notice from OBI of its ability to resume supply of API, Hospira shall use all commercially reasonable efforts to resume the manufacture of the Product upon the expiration of the Allocation Period.

Article 7. Quality

7.1 ***Quality Control.*** Hospira shall apply its quality control procedures and in-plant quality control checks on the manufacture of the Products for OBI in the same manner as Hospira applies such procedures and checks to products of similar nature manufactured for sale by Hospira. In addition, Hospira will test and release Products in accordance with the test methods described in Exhibit 7.1 to ensure that Product conforms to the Product Specifications. The parties may change the test methods from time to time by mutual written agreement; *provided, however,* that Hospira provides OBI with reasonable prior notice thereof, and any changes to test methods are made pursuant to Hospira's quality systems and according to all applicable Regulatory requirements.

7.2 ***Quality Agreement.*** The parties shall enter into a Technical & Quality Agreement substantially in the form of the agreement attached hereto as Exhibit 7.2 within one-hundred and twenty (120) days following the Effective Date.

7.3 ***Audit Right.***

(a) ***General Audit Rights.*** OBI shall have the right, upon sixty (60) days prior written notice to Hospira, to conduct, at its sole expense and during normal business hours, a quality assurance audit and inspection of Hospira's records and production facilities relating to the manufacturing, assembly and/or packaging of Product, including without limitation, to examine all Product Data and other relevant documentation. Such audits shall: (a) be limited to not more than two (2) auditors appointed or representing OBI; (b) last for not more than two (2) days; and (c) may be conducted not more than one (1) time per calendar year. OBI and Hospira shall determine mutually acceptable dates for the audit.

(b) ***For Cause Audits.*** OBI shall have the right to conduct "for cause" audits to address significant product or safety concerns as discovered through Product failures related to Hospira's manufacture of the Product. Product failures would include issues related to stability, out of specification, sterilization, labeling and vial integrity.

(c) ***Third Party Auditors.*** Any auditors that are not employees of OBI shall be required to enter into confidentiality agreements with Hospira and OBI containing terms of confidentiality at least as stringent as those set forth in Article 11 hereof. Visits by OBI to Hospira production facilities may involve the transfer of Confidential Information, and any such Confidential Information shall be subject to the terms of Article 11 hereof. The results of such audits and inspections shall be considered Confidential Information under Article 11 and shall not be disclosed to Third Parties, including, but not limited to, the FDA, unless required by law and only then upon prior written notice to Hospira. Hospira also agrees to allow the FDA to conduct any audit which the FDA requires and Hospira agrees to reasonably cooperate with the FDA in connection with such audit. However, if any additional inspections are requested or required by or for any other Regulatory Authority, Hospira shall be entitled to an additional fee of Twenty Eight Thousand United States Dollars ($US 28,000) per each such Regulatory Authority inspection.

7.4 ***Notification of Complaints.*** OBI shall notify Hospira promptly of any Product complaints involving Hospira's manufacture or packaging in sufficient time to allow Hospira to evaluate the complaints and assist OBI in responding to such complaints.

7.5 ***Product Recalls; Expenses of Recall.*** OBI shall direct and control responses to all Product recalls, and Hospira shall provide reasonable cooperation to OBI in connection with any such response. In the event: (a) any Regulatory Authority or other national government authority issues a request, directive or order that Product be recalled; (b) a court of competent jurisdiction orders such a recall; or (c) OBI reasonably determines that Product should be recalled, the parties shall take all appropriate corrective actions, and shall cooperate in any governmental investigations surrounding the recall. In the event that such recall results from the breach of Hospira's express warranties under Section 8.2(a) or (b) herein, Hospira agrees that it shall be responsible for promptly replacing the quantity of Products that were recalled at no cost to OBI or reimbursing OBI for the cost of the Products that were recalled. In addition, Hospira agrees that it shall be responsible for the administrative expenses of any recall, provided that Hospira shall not pay more than One Hundred Thousand United States Dollars ($US 100,000) per calendar year. For purposes of this Agreement, the administrative expenses of the recall shall include, but not be limited to, the expenses of notification and destruction or return of the recalled Product, and any costs associated with the distribution of the replacement Product, but shall not include lost profits of either party, or the cost to replace API in excess of the limitations stated in Section 5.4(c). In the event that the recall does not result from the breach of Hospira's express warranties under this Agreement, OBI shall be responsible for the expenses of the recall.

Article 8. Warranties; Covenants and Indemnification

8.1 ***OBI's Warranties.***

(a) OBI represents and warrants to Hospira that all API delivered to Hospira pursuant to this Agreement shall, at the time of delivery, not be adulterated or misbranded within the meaning of the Act or within the meaning of any Applicable Laws in which the definitions of adulteration and misbranding are substantially the same as those contained in the Act, as the Act and such laws are constituted and effective at the time of delivery and will not be an article which may not under the provisions of Sections 404 and 505 of the Act be introduced into interstate commerce.

(b) OBI further warrants to Hospira that API supplied to Hospira hereunder shall meet the API Specifications set forth on Exhibit 1.4.

(c) OBI further warrants that all specifications including API Specifications and Product Specifications that OBI provides to Hospira shall conform to the regulatory submission OBI files with the FDA or other appropriate Regulatory Authority.

(d) OBI further represents and warrants to Hospira that OBI's performance of its obligations under this Agreement will not result in a material violation or breach of any agreement, contract, commitment or obligation to which OBI is a party or by which it is bound and will not conflict with or constitute a default under its corporate charter or bylaws.

(e) OBI further represents and warrants that it will not sell Products into any jurisdiction unless and until it receives the necessary Regulatory Authority approvals.

8.2 ***Hospira's Warranties and Covenants.***

(a) Hospira represents and warrants to OBI that Product Hospira delivers to OBI pursuant to this Agreement shall, at the time of delivery, not be adulterated or misbranded within the meaning of the Act or within the meaning of any applicable state or municipal law in which the definitions of adulteration and misbranding are substantially the same as those contained in the Act, as the Act and such laws are constituted and effective at the time of delivery and will not be an article which may not under the provisions of Sections 404 and 505 of the Act be introduced into interstate commerce.

(b) Hospira further represents and warrants to OBI that all Product Hospira delivers to OBI pursuant to this Agreement shall, at the time of delivery, be free from defects in material and workmanship and shall be manufactured: (i) in accordance and conformity with the Product Specifications; (ii) pursuant to this Agreement and the Technical & Quality Agreement: and (iii) in compliance with all Applicable Laws.

(c) Hospira further represents and warrants to OBI that the DMFs (to which OBI will have reference rights pursuant to Section 4.3) will be current and accurate as of the date Hospira issues the Letters of Authorization.

(d) Hospira further represents and warrants to OBI that Hospira's performance of its obligations under this Agreement will not result in a material violation or breach of any agreement, contract, commitment or obligation to which Hospira is a party or by which it is bound and will not conflict with or constitute a default under its Certificate of Incorporation or corporate bylaws.

(e) The foregoing warranties shall not extend to any nonconformity or defect which relates to or is caused by API supplied by OBI to Hospira.

(f) HOSPIRA MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO PRODUCT. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY DISCLAIMED BY HOSPIRA.

8.3 ***Indemnification by Hospira.*** Hospira shall indemnify and hold harmless OBI, its Affiliates, officers, directors and employees from and against all claims, causes of action, suits, costs and expenses (including reasonable attorney's fees), losses or liabilities of any kind related to this Agreement and asserted by third parties to the extent such arise out of or are attributable to: (a) Hospira's breach of any representation or warranty set forth in Section 8.2(a) or (b); (b) any violation of any proprietary right of any Third Party relating to Hospira's manufacturing processes used in the manufacture of Product pursuant to this Agreement (excluding the Active Pharmaceutical Ingredient Specifications, Product Specifications, API, the Oxycyte® compound or the Products); or (c) any negligent or wrongful act or omission on the part of Hospira, its employees, agents or representatives and which relate to Hospira's performance hereunder.

8.4 ***Indemnification by OBI.*** OBI shall indemnify and hold harmless Hospira, its Affiliates, officers, directors and employees harmless from and against all claims, causes of action, suits, costs and expenses (including reasonable attorney's fees), losses or liabilities of any kind related to this Agreement and asserted by third parties to the extent such arise out of or are attributable to: (a) OBI's breach of any representation or warranty set forth in Section 8.1; (b) any violation of any proprietary right of any Third Party relating to the Active Pharmaceutical Ingredient Specifications, Product Specifications, API, or Product, other than Hospira's manufacturing processes used in the manufacture of Product pursuant to this Agreement; (c) the use of or lack of safety or efficacy of the Oxycyte® compound or the Products; and (d) any negligent or wrongful act or omission on the part of OBI, its employees, agents or representatives and which relate to OBI's performance hereunder

8.5 ***Conditions of Indemnification.*** If either party seeks indemnification from the other hereunder, it shall promptly give notice to the other party of any such claim or suit threatened, made or filed against it which forms the basis for such claim of indemnification and shall cooperate fully with the other party in the investigation and defense of all such claims or suits. The indemnifying party shall have the option to assume the other party's defense in any such claim or suit with counsel reasonably satisfactory to the other party. No settlement or compromise shall be binding on a party hereto without its prior written consent, such consent not to be unreasonably withheld.

8.6 ***No Consequential Damages.*** NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY BREACH OF THIS AGREEMENT EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Article 9. Intellectual Property Rights

9.1 ***OBI's Proprietary Rights.*** OBI has granted no license, express or implied, to Hospira to use OBI's proprietary technology, know-how or other proprietary rights other than for the purposes of this Agreement. Notwithstanding Hospira's rights as defined in Section 9.2, the parties agree that OBI shall be the sole owner of, and Hospira hereby assigns to OBI all of its rights and interests throughout the world in, any proprietary technology, know-how or other proprietary rights developed by Hospira and which directly relate to the Oxycyte® compound pursuant to the Project ***("Project Inventions")*** and OBI shall be entitled to apply for patent protection on such Project Inventions at OBI's expense and risk. For the avoidance of doubt, as between the parties, OBI shall have the exclusive right to use or sell the Products made in connection with this Agreement. Hospira shall promptly execute and deliver such further documents and take such further action as may be reasonably requested by OBI, at the expense of OBI, in order to effectively carry out the assignment of rights provided herein and to file and secure any patent applications or letters patent arising hereunder.

9.2 ***Hospira's Proprietary Rights.*** Hospira has granted no license, express or implied, to OBI to use Hospira proprietary technology, know-how or rights relating to its manufacturing processes. If Hospira, in its sole discretion, deems patentable any improvement or invention related to Hospira's proprietary technology, know-how or rights relating to diluent solutions, glass or non-glass vials, cartridges, formulations of diluent or intravenous solutions or manufacturing processes made or reduced to practice in the course of performance of the development activities under the Project, then Hospira shall solely own and shall be entitled to apply for patent protection on such improvements or inventions at Hospira's expense and risk.

9.3 ***Product Data.*** All Product Data shall be the sole and exclusive property of OBI and shall be deemed to be OBI's Confidential Information. Upon expiry or termination of this Agreement or the earlier request of OBI, Hospira shall send to OBI complete copies of all Product Data and Product Specifications in written and (where available) editable electronic form.

Article 10. Term and Termination

10.1 ***Term.*** This Agreement shall commence on the Effective Date and, unless earlier terminated as provided below, shall expire at the end of the seven (7^{th}) Contract Year (the ***"Initial Term").*** Unless otherwise terminated in accordance with this Article 10, this Agreement shall be automatically extended for additional terms of two (2) Contract Years (each, a ***"Renewal Term,"*** together with the Initial Term, the ***"Term"***) and may be terminated anytime after the Initial Term by either party providing the other with at least thirty-six (36) months' prior written notice of termination.

10.2 ***Termination of the Project.*** Either party wishing to terminate the Project shall request in writing a pre-termination consultation with the other party to review potential concerns and to make reasonable efforts to continue with this Agreement. Upon thirty (30) days following said consultation, either party may terminate the Project upon sixty (60) days prior written notice to the other party if the terminating party determines in good faith that the development of the Product is not technically feasible using

commercially reasonable efforts. If the Project is terminated, Hospira shall advise OBI of Hospira's actual development costs on the Project incurred prior to such termination. OBI shall pay Hospira for all reasonable and documented development costs incurred to the date the termination notice is received.

10.3 ***Failure to Obtain Regulatory Approval.*** Either party may terminate this Agreement by giving to the other party ninety (90) days' prior written notice at any time after the sixth (6th) anniversary of the Effective Date in the event that, all applicable Regulatory Authorities have provided notice to OBI that the sale and use of the Products are non-approvable.

10.4 ***General Termination Rights.*** Either party may terminate this Agreement as follows:

(a) In the event that the other party goes into liquidation, or seeks the benefit of any bankruptcy or insolvency act, or a receiver or trustee is appointed for its property or estate, or it makes an assignment for the benefit of creditors, whether any of the aforesaid events be the outcome of the voluntary act of such party or otherwise, and such procedures are not terminated within ninety (90) days; or

(b) By giving to the other party sixty (60) days' prior written notice upon the breach of any warranty or any other material provision of this Agreement by the other party if the breach is not cured within sixty (60) days after written notice thereof to the party in default.

10. 5 ***Effect of Termination***

(a) ***Accrued Payment Obligations.*** OBI shall reimburse Hospira for Hospira's cost of all supplies purchased and on hand or on order, to the extent such supplies were ordered by Hospira based on firm purchase orders of Product, and such supplies cannot be reasonably used by Hospira for other purposes. Hospira shall invoice OBI for all amounts due hereunder. Payment shall be made pursuant to Section 5.10.

(b) ***Return of Inventory; Safety Stock.*** Hospira shall return (or at the election of OBI, properly destroy or dispose of) any remaining inventory of API and Product to OBI (or a delegee of OBI) at OBI's expense, unless such termination shall have been as a result of a breach of this Agreement by Hospira, in which case such inventory shall be returned at Hospira's expense. In addition, OBI shall be responsible for the cost and disposal of any Raw Materials that are in Hospira's safety stock upon expiry or termination of this Agreement, unless such termination shall have been as a result of a breach of this Agreement by Hospira or for convenience by Hospira.

(c) ***Files and Records.*** Upon the expiration or termination of this Agreement, Hospira shall promptly make available to OBI copies of all Product Data and shall store the originals or electronic copies of such documents and records according to cGMPs in accordance with Hospira's internal quality procedures and all Applicable Laws.

(d) ***Transfer Assistance.*** Hospira shall, upon written request by OBI, use commercially reasonable efforts for a reasonable period of time to assist OBI in the transfer of OBI's Product intellectual property and Confidential Information to an alternative Third

Party manufacturer. By way of example, such assistance may include, among other things, Hospira's assessment of the Third Party manufacturer's capabilities to manufacture the Products according to the Specifications and OBI's stated requirements. Notwithstanding the foregoing, nothing contained herein shall require Hospira to disclose any Hospira intellectual property rights or Hospira Confidential Information to such Third Party manufacturer, nor grant OBI any right to use such rights or Hospira Confidential Information. OBI shall compensate Hospira for such assistance in an amount to be agreed by the parties in good faith, plus Hospira's reasonable, direct, out-of-pocket expenses incurred by or on behalf of Hospira during the provision of such assistance.

10.6 ***Survival.*** Expiration or early termination of this Agreement shall not relieve either party of any obligations that it may have incurred prior to expiration or early termination and all covenants and agreements contained in this Agreement, which by their terms or context are intended to survive, will continue in full force and effect for a period of three (3) years unless a different time period is indicated in this Agreement.

Article 11. Confidential Information

11.1 ***Nondisclosure.*** It is contemplated that in the course of the performance of this Agreement each party may, from time to time, disclose Confidential Information to the other. Hospira agrees that, except as expressly provided herein, it shall not disclose Confidential Information received from OBI, and shall not use Confidential Information disclosed to it by OBI, for any purpose other than to fulfill Hospira's obligations hereunder. OBI agrees that, except as expressly provided herein, it shall not disclose Confidential Information received from Hospira, and shall not use Confidential Information disclosed to it by Hospira, for any purpose other than to fulfill OBI's obligations hereunder.

11.2 ***Exceptions to Duty of Nondisclosure.*** Notwithstanding the above, nothing contained in this Agreement shall preclude OBI or Hospira from utilizing Confidential Information as may be necessary in prosecuting patent rights of either party pursuant to Article 9, obtaining governmental marketing approvals, manufacturing the Products pursuant to the terms and conditions of this Agreement, or complying with other governmental laws and regulations or court orders (provided that the party disclosing such information uses reasonable efforts to seek confidential treatment of such information, except as required to file and prosecute such patent applications). The obligations of the parties relating to Confidential Information shall expire ten (10) years after the termination of this Agreement.

11.3 ***Public Announcements and SEC Disclosure.*** Neither party shall make any public announcement concerning the transactions contemplated herein, or make any public statement which includes the name of the other party or any of its Affiliates, or otherwise use the name of the other party or any of its Affiliates in any public statement or document, except as may be required by law or judicial order, without the written consent of the other party, which consent shall not be unreasonably withheld. Subject to any legal or judicial disclosure obligation, any such public announcement proposed by a party that names the other party shall first be provided in draft to the other party. Each party agrees that it shall cooperate fully and in a timely manner with the other with respect

to all required disclosures to the Securities and Exchange Commission and any other governmental or regulatory agencies, including requests for confidential treatment of Confidential Information of either party included in any such disclosure. If either party determines that applicable securities laws require it to file this Agreement, such party shall: (a) provide to the other party a copy of the redacted version it intends to file; (b) provide the other party reasonable opportunity to comment thereon; and (c) redact such additional information as requested by the other party, unless disclosure thereof is required by law and compelled by the Securities and Exchange Commission.

11.4 ***Injunctive Relief.*** The parties acknowledge that either party's breach of this Article 11 may cause the other party irreparable injury for which it would not have an adequate remedy at law. Subject to Section 12.4, in the event of a breach, the non-breaching party may be entitled to seek injunctive relief in addition to any other remedies it may have at law or in equity.

Article 12. Miscellaneous

12.1 ***Force Majeure and Failure of Suppliers.***

(a) ***Excusable Delay.*** Subject to the provisions of this Section 12.1, if supervening events, including, but not limited to, acts of God, acts of the public enemy, terrorist acts, insurrections, riots, embargoes, labor disputes, including strikes, lockouts, job actions, boycotts, fires, explosions, floods, shortages of natural resources or of energy, or other similar causes that are unforeseeable, beyond the reasonable control of, and without the fault or negligence of the party so affected (each, a ***"Force Majeure Event"),*** occur that render performance by such party under this Agreement impossible, then such party is excused from whatever performance is rendered impossible by the Force Majeure Event ***("Suspension of Performance");*** provided that: (i) such party informs the other party immediately of such Force Majeure Event; (ii) such party promptly informs the other party of the length of the expected delay; (iii) such party takes all reasonable actions to avoid or overcome such Force Majeure Event, to mitigate damages hereunder, and to mitigate the length of any such Suspension of Performance; and (iv) such party, to the extent it is able, continues to perform its obligations under this Agreement, unless otherwise directed by the other party. A party's performance of covenants (i) and (ii) herein are conditions precedent to its Suspension of Performance and covenants (iii) and (iv) herein are conditions precedent to its continued Suspension of Performance. Force Majeure Event includes the unavailability of materials, equipment or transportation that is caused by a Force Majeure Event. Force Majeure Event does not include capacity constraints due to the volume of business at Hospira, economic hardship, changes in market conditions, or insufficiency of funds.

(b) ***Transfer of Production.*** If Hospira becomes subject to Force Majeure Event which interferes with production of Product at Hospira's Clayton, North Carolina plant, the parties shall mutually agree on implementation of an agreed-upon action plan to transfer production of Product to another Hospira plant. The parties shall, after the execution of this Agreement and at the request of either party, meet to discuss and define such an action plan, subject to the terms and conditions of Section 6.9.

(c) ***Failure of Suppliers.*** If Hospira is unable to supply Product to OBI due to a failure of any Third Party supplier(s) of Raw Materials where Hospira has qualified and selected a secondary supplier and has maintained a safety stock of Raw Materials, in accordance with Section 5.6, such failure shall be considered a Force Majeure Event.

12.2 ***Notices.*** All notices hereunder shall be delivered as follows: (a) personally; (b) by facsimile and confirmed by first class mail (postage prepaid); (c) by registered or certified mail (postage prepaid); or (d) by overnight courier service, to the following addresses of the respective parties:

If to OBI:

Oxygen Biotherapeutics, Inc.
3189 Airway Avenue, Building C
Costa Mesa, California 92626 USA
Attention: Dr. Richard M. Kiral
President and Chief Operating Officer

Facsimile: (714) 427-6361

If to Hospira:

Hospira, Inc.
275 North Field Drive
Lake Forest, Illinois 60045
Attention: Vice President
Contract Manufacturing

Facsimile: (224) 212-3210

With copy to:

Hospira, Inc.
275 N. Field Drive
Lake Forest, Illinois 60045
Attention: General Counsel
Building H1, Department NLEG

Facsimile: (224) 212-2086

Notices shall be effective upon receipt if personally delivered or delivered by facsimile and confirmed by first class mail, on the third business day following the date of registered or certified mailing or on the first business day following the date of or delivery to the overnight courier. A party may change its address listed above by written notice to the other party.

12.3 ***Choice of Law.*** This Agreement shall be construed, interpreted and governed by the laws of the State of Delaware, excluding its choice of law provisions. The United Nations Convention on the International Sale of Goods is hereby expressly excluded.

12.4 ***Alternative Dispute Resolution.*** The parties recognize that bona fide disputes may arise which relate to the parties' rights and obligations under this Agreement. The parties agree that except as provided in Section 11.4, any such dispute shall be resolved by alternative dispute resolution in accordance with the procedure set forth in Exhibit 12.4.

12.5 ***Assignment.*** Neither party shall assign this Agreement nor any part thereof without the prior written consent of the other party; *provided, however:* (a) either party may assign this Agreement to one of its wholly-owned subsidiaries or its parent corporation without such consent; and (b) either party, without such consent, may assign this Agreement in connection with the transfer, sale or divestiture of substantially all of its business to which this Agreement pertains or in the event of its merger or consolidation with another company. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve any party of responsibility for the performance of any accrued obligation which such party then has hereunder.

12.6 ***Entire Agreement.*** This Agreement, together with the Exhibits referenced and incorporated herein, constitute the entire agreement between the parties concerning the subject matter hereof and supersede all written or oral prior agreements or understandings with respect thereto.

12.7 ***Severability.*** This Agreement is subject to the restrictions, limitations, terms and conditions of all applicable governmental regulations, approvals and clearances. If any term or provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or provision hereof, and this Agreement shall be interpreted and construed as if such term or provision, to the extent the same shall have been held to be invalid, illegal or unenforceable, had never been contained herein.

12.8 ***Waiver-Modification of Agreement-Remedies.*** No waiver or modification of any of the terms of this Agreement shall be valid unless in writing and signed by authorized representatives of both parties. Failure by either party to enforce any such rights under this Agreement shall not be construed as a waiver of such rights, nor shall a waiver by either party in one or more instances be construed as constituting a continuing waiver or as a waiver in other instances. The rights and remedies provided by this Agreement are cumulative and (unless otherwise provided in this Agreement) are not exclusive of any rights and remedies provided by law

12.9 ***Insurance. Hospira Insurance.*** Hospira will procure and maintain, at its own expense, and as primary and noncontributory, for the duration of the Agreement, and for five (5) years thereafter if written on a claims made or occurrence reported form, the types of insurance specified below with carriers rated A-VII or better with A. M. Best or like rating agencies:

(a) Workers' Compensation accordance with applicable statutory requirements and shall provide a waiver of subrogation in favor of OBI;

(b) Employer's Liability with a limit of liability in an amount of not less than $500,000;

(c) Commercial General Liability including premises operations, products & completed operations, blanket contractual liability, personal injury and advertising injury including fire legal liability for bodily injury and property damage in an amount not less than $1,000,000 per occurrence and $2,000,000 in the aggregate and shall provide a waiver of subrogation in favor of OBI;

(d) Commercial Automobile Liability for owned, hired and non-owned motor vehicles with a combined single limit in an amount not less than $1,000,000 each occurrence;

(e) Excess Liability including products & completed operations liability with a combined single limit in an amount of not less than $25,000,000 per occurrence and in the aggregate and shall provide a waiver of subrogation in favor of OBI; and

(f) Commercial Crime or Fidelity Bond in an amount of not less than $5,000,000 per occurrence and in the aggregate.

Hospira shall include OBI as additional insured with respect to its Commercial General Liability, Auto Liability and Excess Liability policies. Prior to commencement of services, and annually thereafter, at the request of OBI, Hospira shall furnish to OBI certificates of insurance evidencing the insurance coverages stated above and shall require at least thirty (30) days written notice to OBI prior to any cancellation, non-renewal or material change in said coverage. In the case of cancellation, non-renewal or material change in said coverage, Hospira shall promptly provide to OBI a new certificate of insurance evidencing that the coverage meets the requirements in this Section. Hospira agrees that its insurance shall act as primary and noncontributory from any other valid and collectible insurance maintained by the other party. Hospira may, at its option, satisfy, in whole or in part, its obligation under this Section 12.9 through its self-insurance program.

12.10 ***OBI Insurance.*** OBI will procure and maintain, at its own expense, and as primary and noncontributory, for the duration of the Agreement, and for five (5) years thereafter if written on a claim made or occurrence reported form, the types of insurance specified below with carriers rated A- VII or better with A. M. Best or like rating agencies:

(a) Workers' Compensation accordance with applicable statutory requirements and shall provide a waiver of subrogation in favor of Hospira;

(b) Employer's Liability with a limit of liability in an amount of not less than $500,000;

(c) Commercial General Liability including premises operations, product liability, products & completed operations, blanket contractual liability, personal injury and advertising injury including fire legal liability for bodily injury and property damage in an amount not less than $5,000,000 per occurrence and not less than $10,000,000 in the aggregate;

(d) Commercial Automobile Liability for owned, hired and non-owned motor vehicles with a combined single limit in an amount not less than $500,000 each occurrence;

(e) Commercial Crime or Fidelity Bond in an amount of not less than $500,000 per occurrence and in the aggregate including an endorsement for third party liability without the requirement of a conviction; and

(f) Cargo/Transit insurance covering all risks all shipments of cargo handled by OBI at a full replacement cost.

Hospira shall be an additional insured with respect to such policies. Prior to commencement of services, and annually thereafter, at the request of Hospira, OBI shall furnish Hospira certificates of insurance evidencing the insurance coverages stated above and shall require at least thirty (30) days written notice to Hospira prior to any cancellation, non-renewal or material change in said coverage. In the case of cancellation, non-renewal or material change in said coverage, OBI shall promptly provide to Hospira a new certificate of insurance evidencing that the coverage meets the requirements in this Section. OBI agrees that its insurance shall act as primary and noncontributory from any other valid and collectible insurance maintained by the other party.

12.11 ***Exhibits.*** All Exhibits referred to herein are hereby incorporated by reference.

12.12 ***Debarment Warranty.*** Hospira and OBI represent and warrant that neither party uses nor will use in the future use in any capacity the services of any person debarred under Section (a) or (b) of 21 U.S.C. Section 335a.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties intending to be bound by the terms and conditions hereof have caused this Agreement to be signed by their duly authorized representatives as of the date first above written.

HOSPIRA WORLDWIDE, INC.

By: /s/ Anthony N. Cacich
(Signature)
Name: Anthony N. Cacich
Title: Vice President & General Manager
Contract Manufacturing Services

OXYGEN BIOTHERAPEUTICS, INC.

By: /s/ Richard M. Kiral
(Signature)
Name: Richard M. Kiral
Title: President & COO

Exhibit 1.3

API Specifications

OBI shall use all reasonable efforts to prepare and submit to Hospira the API Specifications no later than Ninety (90) days after the Effective Date. Upon submission, the API Specifications shall be attached to this Exhibit 1.3 and shall be made an integral part of this Agreement.

Exhibit 1.23

Product Specifications

OBI and Hospira will consult and use all reasonable efforts to prepare and complete the Product Specifications no later than Ninety (90) days after the Effective Date. Upon completion, the Product Specifications shall be attached to this Exhibit 1.23 and shall be made an integral part of this Agreement.

Exhibit 2.1

Development Activities

(Development Fees Structure)

MILESTONE I:	***PROJECT INITIATION***
Activities:	- Project Scope Development & Project Management - *Initiate Technical Transfer* - Validation review - Identify filling line requirements - Identify manufacturing precautions
Cost:	$70,000
Payment:	At initiation of project.
Timing:	1Q, 2009
MILESTONE IIA	***PRODUCT DEVELOPMENT***
Start Date:	Upon receipt of product requirements and agreed methods of transfer documentation
Activities:	- Method SOP transfer - Perform associated feasibility experiments
Cost:	$75,000
Payment:	Upon completion of Milestone IIa
Timing:	2Q, 2009
MILESTONE IIB:	***PRODUCT DEVELOPMENT***
Start Date:	Upon completion of Milestone IIa
Activities:	- Establish internal documentation for drug product specification and methods - Issue validation protocols based on. OBI's SOP's and/or Feasibility tests including results. - Perform globule size distribution method comparability
Cost:	$75,000
Payment:	Upon completion of Milestone IIb
Timing:	2Q, 2009
MILESTONE IIC:	***PRODUCT DEVELOPMENT***
Start Date:	Upon completion of Milestone IIb
Activities:	- Work with OBI to select appropriate technology and methodology for determining globule size distribution of Oxycyte® emulsion - Perform method/validation activities for the selected method
Cost:	$75,000
Payment:	Upon completion of Milestone IIc
Timing:	2Q, 2009

MILESTONE IID:	***PRODUCT DEVELOPMENT***
Start Date:	Upon completion of Milestone IIc
Activities:	- Evaluate raw material specification and method developments for clinical manufacturing - Establish internal specifications for all raw materials in the formulation, including the perfluorocarbon (perfluoro-tert-butylcyclohexane).
Cost:	$75,000
Payment:	Upon completion of Milestone IId
Timing:	2Q, 2009
MILESTONE III:	***ENGINEERING, CLINICAL AND REGISTRATION BATCH PRODUCTION***
Start Date:	- Upon completion of Product Development stage
Activities:	- Engineering, Clinical and Registration batch production - Prepare batch record documentation - Final Product In-Process testing
Cost:	- Per attached Development Batch pricing table below
Payment:	- At completion of batch production
Timing:	- 3Q 2009

Note: Cost for stability studies for clinical batches to be determined and are not included in the cost per 25L or 50L batch.

All other batch sizes will be quoted individually based on batch size. OBI will be asked to issue a separate purchase order to Hospira Clayton prior to manufacture of each batch.

Development Batch Pricing Table

Batch Type	Batch Size	Price/Batch
Engineering	25L-50L	$115,000
Clinical	50L	$115,000
Registration	TBD	TBD

Development Activities (cont'd)

(Development Fees Structure)

MILESTONE IVA:	***PROCESS VALIDATION AND REVIEW***
Start Date:	Upon completion of Product Development; prior to phase III clinical production.
Activities:	- Issue/review new product validation plan - Establish specifications for commodities, including stopper and bottle suitable for Oxycyte®
Cost:	$80,000
Payment:	Upon completion of Milestone IVa
Timing:	3Q-4Q, 2009
MILESTONE IVB:	***PROCESS VALIDATION AND REVIEW***
Start Date:	Upon completion of Milestone IVa
Activities:	- Container closure validation
Cost:	$80,000
Payment:	Upon completion of Milestone IVb
Timing:	3Q-4Q, 2009
MILESTONE IVC	***PROCESS VALIDATION AND REVIEW***
Start Date:	Upon completion of Milestone IVb
Activities:	- Sterilizer validation including heat penetration
Cost:	$80,000
Payment:	Upon completion of Milestone IVc
Timing:	3Q-4Q, 2009
MILESTONE IVD:	***PROCESS VALIDATION AND REVIEW***
Start Date:	Upon completion of Milestone IVc
Activities:	- Perform filter compatibility study and issue report - Perform material contact study and issue report - Scale up activities to achieve 50L batch
Cost:	$80,000
Payment:	Upon completion of Milestone IVd
Timing:	3Q-4Q, 2009

Development Activities (cont'd)

(Development Fees Structure)

MILESTONE V:	***REGULATORY SUBMISSION (CMC PREPARATION)***
Start Date:	After Process validation
Activities:	- Assumes CMC support for US, Canada and Switzerland submissions - Compile manufacturing site information related to product and process - Review Submission/Deficiency Response - Pre-Approval Inspection (PAI) Readiness Assessment - Quality Assurance Reviews and Audits - Regulatory PAI (if required) - Support of Submission after product approval
Cost:	$128,000
Payment:	Upon regulatory submission of Oxycyte®
Timing:	TBD by OBI
MILESTONE VI:	***DOCUMENTATION REVISIONS/COMMERCIALIZATION***
Start Date:	In conjunction with the Procedural Validation and Review
Activities:	- Shipper and partition drawings and production evaluation - Product ship test - Revise monographs - Revise specification sheets - Batch record revisions - Revise master product information table - Revise formula table - New product checklist signoff - Revise SOPs
Cost:	$58,000
Payment:	Upon completion of final product labeling and packaging development
Timing:	TBD by OBI

Total Cost (Milestones I, II, IV, V & VI): $US 876,000 (plus the cost of clinical batch stability testing, engineering, clinical and registration batch production and testing).

Development Activities (cont'd)

Development Fee and Pricing Assumptions:

- Two (2) engineering batches will be manufactured using Oxycyte®'s API.
- Three (3) Clinical batches will be manufactured using Oxycyte®'s API .
- One (1) to three (3) Stability/Registration batches will be manufactured using Oxycyte®'s API.
- Dedicated equipment costs (capital and expense) will be the responsibility of OBI , OBI will assume title of equipment upon receipt at the Clayton, North Carolina site.
- Equipment cleaning to be performed and validated with Hospira Clayton, North Carolina procedures.
- Hospira Clayton, North Carolina's matrix approach to media fills includes each bottle size and is acceptable to OBI (i.e., no media trials required).
- Product stability programs to be executed by Hospira.
- OBI is responsible for any Shipping/Transportation validation and shall provide Hospira a copy of reports prior to the scheduled pre-approval inspection. A Shipping Validation study will be quoted separately upon request.
- All pricing is in US Dollars and is based on the assumptions listed above.
- Annual price adjustments will be made according to the U.S. Producer Price Index, Pharmaceutical Preparation, Ethical (prescription) Commodity Code 2834, beginning January 1, 2010.
- OBI is responsible for shipment of product from point of pick-up on the Clayton, North Carolina facility loading dock.
- Hospira's API liability will be as provided in the Agreement.
- Hospira's Recall liability will be as provided in the Agreement.
- Drug product release testing to be performed by Hospira with issuance of a Certificate of Analysis to OBI.
- A Development Agreement and a Technical Agreement must be executed prior to GMP batch production.
- Development and validation of methods not currently performed on Oxycyte® are not scoped in Milestone IT (Product Development).
- Methods for phosphatide and lysolecithin should be considered as the product is progressed towards Clinical Phase III.
- Milestones 1 &2; 3-4 can occur concurrently.

Oxycyte® Injection -*Product Assumptions*

- Manufacturing and development will take place at Hospira's Clayton, North Carolina, North Carolina facility
- Product Configurations (fill volume/container size)
    1. 105 mL/100mL bottle, Wheaton, type I glass, clear
    2. The 100ml bottle will have a 28mm finish, supplied by Helvoet
    3. Rubber closures for the bottles will be Helvoet Pharmaceuticals 4432/50, gray for the Development program.
    4. 3 piece 28-31mm aluminum seal, supplied by West Pharmaceuticals, part #51282116.
- All manufacturing components to be supplied by Hospira (USP).
- In-process and release testing to be performed by Hospira, meeting USP standards.
- Bulk active to be supplied at no charge by OBI, Inc. or supplier, ID tested only by Hospira upon receipt.
- Mutually agreed upon drug product release testing with issuance of a Certificate of Analysis.
- Proposal based on existing Hospira quality and validation standards.
- Equipment cleaning to be performed with Hospira normal procedures.

Packaging

1. Engineering Batch-Bulk packed.
2. Clinical batch - Bulk packed.

Exhibit 3.1

Payment Schedule

Payment of the Development Fee shall be in accordance with the following schedule:

- Seventy Thousand United States Dollars ($US 70,000) upon initiation of the Project and receipt of Hospira's invoice for the amount due;
- Seventy-five Thousand United States Dollars ($US 75,000) within thirty (30) days after completion of all activities included in Milestone IIa and receipt of Hospira's invoice for the amount due;
- Seventy-five Thousand United States Dollars ($US 75,000) within thirty (30) days after completion of all activities included in Milestone IIb and receipt of Hospira's invoice for the amount due;
- Seventy-five Thousand United States Dollars ($US 75,000) within thirty (30) days after completion of all activities included in Milestone IIc and receipt of Hospira's invoice for the amount due;
- Seventy-five Thousand United States Dollars ($US 75,000) within thirty (30) days after completion of all activities included in Milestone IId and receipt of Hospira's invoice for the amount due;
- One Fifteen Thousand United States Dollars ($US 115,000) per batch for each run of Engineering and Clinical Products, respectively, within thirty (30) days after manufacture of such Engineering and Clinical Products and review and approval of batch records by OBI and receipt of Hospira's invoice for the amount due;
- Eighty Thousand United States Dollars ($US 80,000) within thirty (30) days after completion of all activities included in Milestone IVa and receipt of Hospira's invoice for the amount due;
- Eighty Thousand United States Dollars ($US 80,000) within thirty (30) days after completion of all activities included in Milestone IVb and receipt of Hospira's invoice for the amount due;
- Eighty Thousand United States Dollars ($US 80,000) within thirty (30) days after completion of all activities included in Milestone IVc and receipt of Hospira's invoice for the amount due;
- Eighty Thousand United States Dollars ($US 80,000) within thirty (30) days after completion of all activities included in Milestone IVd and receipt of Hospira's invoice for the amount due;
- One Hundred Twenty-eight Thousand United States Dollars ($US 128,000) within thirty (30) days after regulatory submission for Oxycyte® (for completion of all activities included in Milestone V), and receipt of Hospira's invoice for the amount due;
- Fifty-eight Thousand United States Dollars ($US 58,000) within thirty (30) days after completion of final product labeling and packaging development for Oxycyte® (for completion of all activities included in Milestone VI), and receipt of Hospira's invoice for the amount due;

Exhibit 5.10

Product Prices

Upon finalization of the Product formulation, Hospira shall provide a commercial Product price, either as a price per unit or price per batch. The commercial Product price shall be based on a full scale commercial batch.

Exhibit 7.1

Product Test Methods

In consultation with OBI, no later than ninety (90) days after the Effective Date, Hospira will use all reasonable efforts to prepare and complete documentation describing the procedures, methods and protocols by which the Products will be tested and released, as specified in Section 7.1 of the Agreement. Upon completion, such documentation shall be attached to this Exhibit 7.1 and shall be made an integral part of this Agreement.

Exhibit 7.2

Form of Quality Agreement

OBI and Hospira agree to consult and use all reasonable efforts to prepare and complete the Quality Agreement no later than one hundred and twenty (120) days after the Effective Date. Upon completion, the Quality Agreement shall be attached to this Exhibit 7.2 and shall be made an integral part of this Agreement.

Exhibit 12.4

Alternative Dispute Resolution

The parties recognize that bona fide disputes as to certain matters may arise from time to time during the Term of this Agreement which relate to either party's rights and/or obligations. To have such a dispute resolved by this Alternative Dispute Resolution ("ADR") provision, a party first must send written notice of the dispute to the other party for attempted resolution by good faith negotiations between their respective presidents (or their designee(s), provided any such designee has the authority to act on behalf of such party to effectuate any such resolution) of the affected subsidiaries, divisions, or business units within twenty-eight (28) days after such notice is received (all references to "days" in this ADR provision are to calendar days).

If the matter has not been resolved within twenty-eight (28) days of the notice of dispute, or if the parties fail to meet within such twenty-eight (28) days, either party may initiate an ADR proceeding as provided herein. The parties shall have the right to be represented by counsel in such a proceeding.

1. To begin an ADR proceeding, a party shall provide written notice to the other party of the issues to be resolved by ADR. Within fourteen (14) days after its receipt of such notice, the other party may, by written notice to the party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within twenty-one (21) days following receipt of the original ADR notice, the parties shall select a mutually acceptable neutral having requisite legal expertise and credentials (including without limitation with respect to the substantive law of the State of Delaware) to preside in the resolution of any disputes in this ADR proceeding. If the parties are unable to agree on a mutually acceptable neutral within such period, either party may request the President of the CPR Institute for Dispute Resolution ("CPR"), 366 Madison Avenue, 14th Floor, New York, New York 10017, to select a neutral pursuant to the following procedures:

(a) The CPR shall submit to the parties a list of not less than five (5) candidates within fourteen (14) days after receipt of the request, along with a Curriculum Vitae for each candidate. No candidate shall be an employee, director, or shareholder of either party or any of their subsidiaries or Affiliates.

(b) Such list shall include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each party shall number the candidates in order of preference (with the number one (1) signifying the greatest preference) and shall deliver the list to the CPR within seven (7) days following receipt of the list of candidates. If a party believes a conflict of interest exists regarding any of the candidates, that party shall provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any party failing to return a list of preferences on time shall be deemed to have no order of preference.

(d) If the parties collectively have identified fewer than three (3) candidates deemed to have conflicts, the CPR immediately shall designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the parties collectively have identified three (3) or more candidates deemed to have conflicts, the CPR shall review the explanations regarding conflicts and, in its sole discretion, may either (i) immediately designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five (5) candidates, in which case the procedures set forth in subparagraphs 2(a)-2(d) shall be repeated.

3. No earlier than twenty-eight (28) days or later than fifty-six (56) days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties. The ADR proceeding shall take place at a location agreed upon by the parties. If the parties cannot agree, the neutral shall designate a location other than the principal place of business of either party or any of their subsidiaries or Affiliates.

4. Atleast seven (7) days prior to the hearing, each party shall submit the following to the other party and the neutral:

(a) a copy of all exhibits on which such party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies shall not contain any recitation of the facts or any legal arguments and shall not exceed one (1) page per issue.

(d) a brief in support of such party's proposed rulings and remedies, provided that the brief shall not exceed forty (40) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

Except as expressly set forth in subparagraphs 4(a)-4(d), no discovery shall be required or permitted by any means, including depositions, interrogatories, requests for admissions, or production of documents.

5. The hearing shall be conducted on two (2) consecutive days and shall be governed by the following rules:

(a) Each party shall be entitled to five (5) hours of hearing time to present its case. The neutral shall determine whether each party has had the five (5) hours to which it is entitled.

(b) Each party shall be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine witnesses, and to make a closing argument. Cross-examination of witnesses shall occur immediately after their direct testimony, and cross-examination time shall be charged against the party conducting the cross-examination.

(c) The party initiating the ADR shall begin the hearing and, if it chooses to make an opening statement, shall address not only issues it raised but also any issues raised by the responding party. The responding party, if it chooses to make an opening statement, also shall address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal testimony and documents, other evidence, and closing arguments shall proceed in the same sequence.

(d) Except when testifying, witnesses shall be excluded from the hearing until closing arguments.

(e) Settlement negotiations, including any statements made therein, shall not be admissible under any circumstances. Affidavits prepared for purposes of the ADR hearing also shall not be admissible. As to all other matters, the neutral shall have sole discretion regarding the admissibility of any evidence.

6. Within seven (7) days following completion of the hearing, each party may submit to the other party and the neutral a post-hearing brief in support of its proposed rulings and remedies, provided that such brief shall not contain or discuss any new evidence and shall not exceed ten (10) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral shall rule on each disputed issue within fourteen (14) days following completion of the hearing. Such ruling shall adopt in its entirety the proposed ruling and remedy of one of the parties on each disputed issue but may adopt one party's proposed rulings and remedies on some issues and the other party's proposed rulings and remedies on other issues. The neutral shall not issue any written opinion or otherwise explain the basis of the ruling or award.

8. The neutral shall be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(a) If the neutral rules in favor of one party on all disputed issues in the ADR, the losing party shall pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one party on some issues and the other party on other issues, the neutral shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the parties. The neutral shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses shall be binding, non-reviewable (except for an alleged act of corruption or fraud on the part of the arbitrator), and non-appealable, and may be entered as a final judgment in any court having jurisdiction.

10. Except as provided in paragraph 9 or as required by law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings shall be deemed Confidential Information. The neutral shall have the authority to impose sanctions for unauthorized disclosure of Confidential Information.

12. The neutral may not award punitive damages. The parties hereby waive the right to punitive damages.

13. The neutral shall have the authority to grant injunctive relief and other specific performance.

14. The neutral shall, in rendering its decision, apply the substantive law of the State of Delaware, without regard to its conflict of laws provisions.

15. The hearings shall be conducted in the English language.

16. Compliance with this Exhibit 12.4 is a condition precedent to seeking interlocutory relief in any court or tribunal in respect of a dispute, but nothing in this Exhibit 12.4 will prevent a party from seeking interlocutory relief in the courts of appropriate jurisdiction provided in Exhibit 12.4, pending the neutral's determination of the merits of the controversy, if applicable, to protect the Confidential Information, property or other rights of that party.

Exhibit 10.22

Oxygen Biotherapeutics, Inc.,
3189 Airway Avenue, Building C
Costa Mesa, CA 92626

To:

Mr. J. Melville Engle
1 Remington Court
Napa, CA 94558

Engagement Letter

Dear Mel:

Subject to our by-laws we herewith confirm your engagement as a director and member of the board of our company (OXBO).

Monetary compensation shall be through a consulting contract with you.

Independent of the aforementioned consulting contract, we already we will pay you the following stock compensation for your services:

Stock options (3 years life), exercisable at a price of $0.23, as follows:

300,000 fully vested options with this appointment to the board of directors;

300,000 options where vesting will be lifted the earlier of: One year after the appointment to the board of directors, or the closing of a license agreement, or sale of the company

With regard to the services to be performed by you pursuant to the terms of this engagement, you shall not be liable to OXBO, or to anyone who may claim any right due to any relationship with OXBO, for any acts or omissions in the performance of services on your part, OXBO shall hold your free and harmless from any obligations, costs, claims, judgments, attorneys' fees, and attachments arising from or growing out of the services rendered to OXBO pursuant to the terms of this agreement or in any way connected with the rendering of services, except when you are adjudged to be guilty of willful misconduct or gross negligence by a court of competent jurisdiction, OXBO shall maintain an appropriate director's and officer's (D&O) insurance at all times and cover you under such a policy.

Sincerely,

Oxygen Biotherapeutics, Inc.
(OXBO)

/s/ Chris Stern
By: Chris Stern Date: 3/16/09

Accepted:

/s/ Melville Engle
J. Melville Engle Date: 3/16/09

BUSINESS CONSULTANT AGREEMENT

This agreement dated March 16, 2009, is made By and Oxygen Biotherapeutics, Inc., whose address is 3189 Airway Avenue, Building C, Costa Mesa, CA 92626, ("Company"), AND J. Melville Engle, whose address is 1 Remington Ct, Napa, CA 94558 ("Consultant.")

1. Consultation Services. The company hereby employs the consultant to perform the following services in accordance with the terms and conditions set forth in this agreement: The consultant will consult with the officers and employees of the company concerning matters relating to the management and organization of the company, their financial policies, the terms and conditions of employment, and generally any matter arising out of the business affairs of the company.

2. Terms of Agreement. This agreement will begin March 16, 2009. Either party may cancel this agreement on ninety (90) days notice to the other party in writing, by certified mail or personal delivery.

3. Time Devoted by Consultant. It is anticipated that the Consultant will spend sufficient time per month in fulfilling its obligations under this contract. The particular amount of time may vary from day to day or week to week. However, the consultant shall devote sufficient time to its duties in accordance with this agreement.

4. Place Where Services Will Be Rendered. The consultant will perform most services in accordance with this contract at a location of consultant's discretion. In addition the consultant will perform services on the telephone and at such other places as necessary to perform these services in accordance with this agreement.

5. Payment to Consultant. The consultant will be paid at the rate of $200 per hour, with a non-refundable retainer of $9,000 per month, for work performed in accordance with this agreement. If work exceeds $9,000 per month, on or before the 5th of each month, Consultant shall submit a monthly bill with the number of hours and work performed for those hours. This work should be that requested by the Company.

Payment will be by electronic transfer on, or before the 20th day of each month, as long as the agreement is in force. Consultant is entitled to reimbursement of reasonable expenses for travel. The company will reimburse the consultant expenses as indicated by statements submitted by the consultant within ten (10) days of receipt.

6. Independent Contractor. Both the company and the consultant agree that the consultant will act as an Independent contractor in the performance of its duties under this contract. Accordingly, the consultant shall be responsible for payment of all taxes including Federal, State and local taxes arising out of the consultant's activities in accordance with this contract, including by way of illustration but not limitation, Federal and State income tax, Social Security tax, Unemployment Insurance taxes, and any other taxes or business license fee as required.

7. Confidential Information. The consultant agrees that any information received by the consultant during any furtherance of the consultant's obligations in accordance with this contract, which concerns the personal, financial or other affairs of the company will be treated by the consultant in full confidence and will not be revealed to any other persons, firms or organizations.

9. Liability. With regard to the services to be performed by the Consultant pursuant to the terms of this agreement, the Consultant shall not be liable to the Company, or to anyone who may claim any right due to any relationship with the Corporation, for any acts or omissions in the performance of services on the part of the Consultant or on the part of the agents or employees of the Consultant. The Company shall hold the Consultant free and harmless from any obligations, costs, claims, judgments, attorneys' fees, and attachments arising from or growing out of the services rendered to the Company pursuant to the terms of this agreement or in any way connected with the rendering of services, except when the Consultant is adjudged to be guilty of willful misconduct or gross negligence by a court of competent jurisdiction.

10. Arbitration. Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration in accordance of the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) shall be entered in any court having jurisdiction thereof. For that purpose, the parties hereto consent to the jurisdiction and venue of an appropriate court located in Orange County, State of California. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

By: Company

/s/ Chris Stern

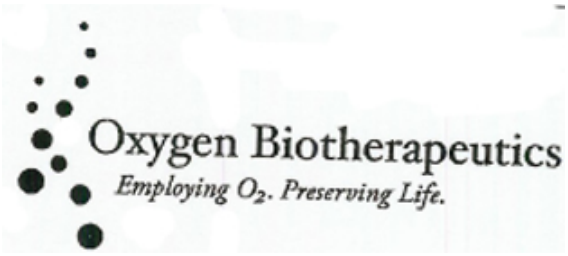
Oxygen Biothcrapeutics, Inc.
By: Chris Stem, Chairman

By: Consultant

/s/ J. Melville Engle

J. Melville Engle

Exhibit 10.23



3189 Airway Avenue, Bldg. C
Costa Mesa, CA 92626
714-427-6363
Fax 714-427-6361

Mr. Kirk Harrington
52-18 Van Loon Street
Elmhurst, NY 11373

March 16, 2009

Dear Kirk,

We would like to make you the following job offer:

Senior Vice President
Director Warfighter Division / Government Relations

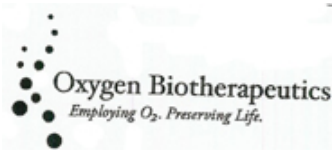
Reporting: Directly to Chairman/CEO
Direct reports: t.b.d.

Compensation package:

- $180,000 annual base pay
- Options as per company stock option plan:
- Sign-up bonus: 30,000 options, vested 1 year, issued after three months of employment
- Options: 30,000 options per end of each year of employment, vested 1 year
- 50,000 options at first U.S. Defense funding larger than $500,000 organized, and such for every subsequential funding larger than $500,000
- Cash bonus based on Lehman Scale (attachment 1) for all funding you are clearly involved with we directly receive as grants or otherwise from (U.S.) Army, Navy, Air Force, Government

Benefits:

- 401k as per company regulation
- Health and dental insurance
- 15 days of vacation



Equipment

- As needed

Work base

- New York /Florida

Most company regulations are documented in the employee handbook.

Sincerely,

/s/ Chris J. Stern
Chris J. Stern
Chairman/CEO

Accepted Date: 17 March 09

/s/ Kirk Harrington
Kirk Harrington

Attachment 1: Lehman Scale

Lehman Scale

Aggregate Consideration	5.00%	4.00%	3.00%	2.00%	1.00%	Compensation
$500,000	$ 25,000					$ 25,000
$1,000,000	$ 50,000					$ 50,000
$2,000,000	$ 50,000	$ 40,000				$ 90,000
$3,000,000	$ 50,000	$ 40,000	$ 30,000			$ 120,000
$4,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000		$ 140,000
$5,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 10,000	$ 150,000
$6,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 20,000	$ 160,000
$7,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 30,000	$ 170,000
$8,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 40,000	$ 180,000
$9,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 50,000	$ 190,000
$10,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 60,000	$ 200,000
$11,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 70,000	$ 210,000
$12,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 80,000	$ 220,000
$13,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 90,000	$ 230,000
$14,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 100,000	$ 240,000
$15,000,000	$ 50,000	$ 40,000	$ 30,000	$ 20,000	$ 110,000	$ 250,000

“Aggregate Consideration” means the total amount of cash paid directly or indirectly by the grantor, as well as the fair market value of all other property conveyed and/or liabilities assumed directly or indirectly in connection with the Transaction. Aggregate Consideration includes up-front payments, milestone payments, licensing payments, equity or debt investments, development payments and other payments made to or to be made to Company in connection with the Transaction, provided such consideration is obligated at the time of closing.

Exhibit 10.24

3189 Airway Avenue Bldg. C
Costa Mesa, CA 92626
714-427-6363
Fax 714-427-6361

Mr. Charles H. Seeman
6518 Austin Creek Drive
Wake Forest, NC 27587

September 18, 2008

Dear Charles,

We would like to make you the following job offer:

Chief Financial Officer, and
Executive Vice President Finance & Administration

Reporting: Directly to Chairman/CEO
Direct reports: Head of accounting, A/P person (works also as assistant for the president/COO)

Compensation package:

- $100,000 base pay, plus $ 20,000 bonus (targets year 1: 50% finance and administration structured in a way compliance is established, 50% 10q and 10k filed in a timely manner)
- Options as per company stock option plan:
- Sign-up bonus: 50,000 options, vested 1 year, issued after three months of employment
- Options: 50,000 options per end of each year of employment, vested 1 year

Benefits:

- 401k as per company regulation
- Health and dental insurance
- 15 days of vacation
- $ 800 per month car allowance

Equipment

- Blackberry, or I-phone, of choice
- Laptop computer, of choice

Work base

- Raleigh-Durham

Teaching

We support your part-time professorship at Mount Olive College under the assumption that you will be able to coordinate your work schedule and the teaching assignment so there is no disadvantage to us.

Most company regulations are documented in the employee handbook.

Sincerely,

/s/ Chris J. Stern
Chris J. Stern
Chairman/CEO

Accepted
Date
9/19/08

/s/ Charles H. Seeman
Charles H. Seeman

Exhibit 10.25

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is retroactively made effective as of February 1, 2009, between Oxygen Biotherapeutics, Inc., a Delaware corporation (hereinafter sometimes referred to as "OXBO" or the "Corporation") and Richard M. Kiral ("Kiral"). This agreement replaces a number of older employment agreements and amendments, and does not contain material changes.

1. TERM OF EMPLOYMENT. OXBO hereby employs Kiral and Kiral hereby accepts employment with OXBO for the period beginning on February 1, 2009 and ending on January 31, 2010; thereafter, this Agreement and Kiral's employment hereunder shall be automatically renewed on a yearly basis unless canceled or renegotiated. As used herein, the phrase "Employment Term" refers to the entire period of employment of Kiral by OXBO hereunder, whether for the period provided above, or whether terminated earlier as hereinafter provided, or extended either by operation of this paragraph or by mutual agreement of OXBO and Kiral. In the event OXBO wishes to cancel this agreement as of January 31, 2010, or at the end of any annual renewal period thereafter, it shall give 120 days' prior written notice to Kiral.

2. DUTIES OF KIRAL.

2.1 General Duties. Kiral shall serve as President, and Chief Operating Officer of OXBO.

2.2 Specific Duties. Kiral's responsibilities shall be to act as the Chief Operating Officer of the Corporation with overall responsibility for all of the day to day activities of the Corporation. Subject to election by the OXBO shareholders, Kiral shall serve as a member of the Board of Directors of OXBO. Kiral shall have the duties and responsibilities customarily held or assigned to a Chief Operating Officer including without limitation overall responsibility for research and development, developing and maintaining relationship with manufacturing partners and contacts important to OXBO's business, and overseeing all supply chain functions.

2.3 Work Base. Kiral's work base shall be Costa Mesa, CA.

2.4 Devotion of Time to OXBO's Business. Kiral shall devote whatever time, ability and attention to the business of OXBO during the term of this Agreement as is reasonably required to fulfill his responsibilities.

2.5 Certain non-competing activities. OXBO acknowledges that Kiral is allowed to serve on board of director's of other non-competing companies. As long as these activities do not interfere with Kiral's duties for OXBO, OXBO acknowledges and agrees to those activities.

3. COMPENSATION OF KIRAL.

3.1 Base Salary. As compensation for services hereunder, OXBO shall pay Kiral a base annual salary of $240,000, payable as per company regulations (currently payments twice a month).

3.2 Stock Compensation. Additionally, Kiral shall receive for the duration of this agreement 20,000 options of common stock per month, and 150,000 annual options issued as per company regulations.

3.3 Additional Compensation.

(a) Annual Bonus. Kiral shall be eligible for a cash bonus payable at year's end starting December 31, 2009. The bonus shall be based on percent achievement of employer's annual goals and milestones 100% achievement shall result in a bonus of 50% of annual salary. There is no cap on the bonus for achievements exceeding 100% of goals; an achievement of 200% of goals for example would result in a bonus of 100% of annual salary.

(b) Compensation Review. The Board of Directors may from time to time review the compensation of Kiral based upon all relevant facts and may increase (but not decrease) said compensation in the discretion of the Board. Additional compensation to be awarded to Kiral may be in the form of cash, stock options or other consideration deemed appropriate by the Board.

3.4 Vacation Pay. Kiral shall be entitled to vacation time and pay of four weeks per year for each year during the term of this agreement. Time or times for such vacation shall be proposed by Kiral and approved in advance by OXBO.

3.5 Paid Sick Leave. Kiral shall be entitled to such sick leave time and pay in accordance with the then prevailing policies of Employer.

4. KIRAL BENEFITS.

4.1 Use of Automobile. OXBO shall pay all expenses of one automobile to be used in part by Kiral in the course of his employment, at a flat expense of Eight Hundred Dollars ($800.00) per month during the term hereof.

4.2 Medical, Dental Insurance Coverage. OXBO shall provide Kiral with medical and dental insurance coverage on the same basis as provided for other senior management employees of OXBO.

4.3 401 (k) Plan. OXBO shall continue to implement and Kiral shall be entitled to participate, to the maximum extent allowed by law, in a retirement plan under Internal Revenue Code Section 401 (k).

4.4 Stock Options and Plans. Kiral shall participate in the 1999 Stock Plan and shall be eligible to participate in other OXBO stock option and related plans as determined by the Board of Directors. Stock options shall be granted as per 3.2 of this agreement. All options granted to Kiral shall be ten-year options. Kiral shall be entitled to participate in additional grants of options on terms and conditions as are specified by the Board of Directors, consistent with the 1999 Stock Plan, or amendments thereto.

5. BUSINESS EXPENSES.

5.1 Entertainment Expenses. The services required by OXBO require Kiral to incur travel, entertainment, and other expenses on behalf of OXBO. OXBO will promptly reimburse Kiral for all reasonable business expenses incurred by Kiral in promoting the business of OXBO, including expenditures for entertainment, gifts, and travel.

5.2 Other Business Expenses. OXBO will promptly reimburse Kiral for all other business expenses reasonably incurred by Kiral in connection with the business of OXBO.

6. TERMINATION OF EMPLOYMENT.

6.1 Resignation, Retirement, Death or Disability. Kiral's employment hereunder shall be terminated at any time by Kiral's resignation or by Kiral's retirement at or after attainment of age 70 ("Retirement"), death or his inability to perform his duties under this Agreement, with or without reasonable accommodation, because of a physical or mental illness ("Disability").

6.2 Termination for Cause. Kiral's employment hereunder may be terminated for Cause. "Cause" shall only mean willful misconduct, conflict of interest or breach of fiduciary duty, or a material breach of any provision of this Agreement.

6.3 Expiration. Kiral's employment hereunder shall be terminated upon expiration of the Employment Term as provided in Section 1.

6.4 Resignation for Good Reason. Kiral may regard Kiral's employment as being constructively terminated and may, therefore, resign within ninety (90) days of Kiral's discovery of any one of the following events which will constitute "Good Reason" for such resignation:

(a) Without Kiral's express written consent, the assignment to Kiral of any duties materially inconsistent with Kiral's current position, duties, responsibilities and status with OXBO, or any subsequent removal of Kiral from, or any failure to re-elect Kiral to any such position;

(b) Without Kiral's express written consent, the termination and/or material reduction in Kiral's facilities (including office space and general location) and staff reporting and available to Kiral;

(c) A material reduction or diminution by the Corporation of Kiral's compensation. For purposes of this provision, a "material" reduction or diminution shall be deemed to occur if Kiral's overall compensation package is reduced by 5% or more from its then-current level.

(d) A failure by Corporation to maintain any of the Kiral benefits to which Kiral was entitled at a level substantially equal to or greater than the value of those Kiral benefits in effect prior to such reduction in benefits, through the continuation of the same or substantially similar plans, programs and policies; or the taking of any action by OXBO or its affiliates which would materially affect Kiral's participation in or reduce Kiral's benefits under any such plans, programs or policies, or deprive Kiral of any material fringe benefits enjoyed by Kiral;

(e) OXBO or any affiliate requiring Kiral to relocate or to be based anywhere other than where Kiral was based for the one year period prior to such relocation; except for required travel on OXBO's or affiliate's business to an extent substantially consistent with Kiral's business travel obligations;

(f) Any purported termination of Kiral's employment by OXBO or the Board which is not effected pursuant to the requirements of this Section 6 with respect to Death, Retirement, Disability or Termination for Cause; and

(g) Receipt of notice by Kiral that the Agreement will not be renewed pursuant to Section 1.

(h) The occurrence of any of the following:

(1) A merger or consolidation where OXBO is not the consolidated or surviving entity;

(2) A sale or transfer of all or substantially all of the assets of OXBO;

(3) Voluntary or involuntary dissolution of OXBO; or

(4) A change in control of OXBO. For purposes of this provision, a change in control shall be defined to include:

(i) The acquisition by any person, entity or group of affiliated persons or entities of twenty five percent (25%) or more of the issued and outstanding stock of the Company; or

(ii) Any transaction or occurrence which results in a majority of the then-current Directors no longer, after such transaction or occurrence, constituting a majority of the entire Board of Directors.

6.5 Damages for Breach of Agreement. In the event of the breach of this Agreement by either OXBO or Kiral resulting in damages to the other party may recover from the party breaching the Agreement any and all damages that may be sustained.

7. PAYMENTS TO KIRAL UPON TERMINATION.

7.1 Death, Disability or Retirement. In the event of Kiral's Retirement, Death or Disability, all benefits generally available to Kiral as of the date of such an event shall be payable to Kiral or Kiral's estate without reduction, in accordance with the terms of any plan, contract, understanding or arrangement forming the basis for such payment. Kiral shall be entitled to such other payments as might arise from any other plan, contract, understanding or arrangement between Kiral and OXBO at the time of any such event.

7.2 Termination as a Board Member, with or without Cause. In the event Kiral is terminated as a board member, with or without cause, he shall receive, in addition to all other severance and termination payments, a payment of 100,000 common shares and the sum of $200,000 in cash payable immediately before termination.

7.3 Termination for Cause or Resignation without Good Reason. In the event Kiral is terminated by OXBO for Cause or Kiral resigns for other than a Good Reason, neither OXBO nor an affiliate shall have any further obligation to Kiral under this Agreement or otherwise, except to the extent provided in any other plan, contract, understanding or arrangement, or Section 8, or as may be required by law. Any bonuses earned under Section 3(a) hereof shall immediately be paid in full.

7.4 Termination Without Cause or Resignation For Good Reason. Subject to other provisions in this Section 7 to the contrary, upon the occurrence of a termination without Cause, which shall include but not be limited to, a Resignation for Good Reason as defined in Section 6.4, OXBO shall:

(a) Pay to Kiral, or in the event of Kiral's subsequent death, to Kiral's surviving spouse, or if none, to Kiral's estate, as severance pay or liquidated damages, or both, a sum equal to one year of base salary, payable under this Agreement pursuant to Section 3 immediately prior to such termination.

(b) Pay to Kiral the economic value of replacement cost for substantially identical benefits during a period of one year for those benefits to which the Kiral is entitled to immediately prior to the termination.

(c) Notwithstanding any provision in the 1999 Stock Plan or amendments thereto, or in any other plan which may be adopted by the Corporation with respect to stock options, all options granted to or owned by Kiral shall immediately become exercisable for cashless exercise.

(d) Any bonuses earned under Section 3(a) hereof shall immediately be paid in full.

8. COVENANT NOT TO COMPETE.

8.1 Scope of Covenant. Kiral agrees that he shall not, either directly or indirectly, carry on, participate, or engage in, either as Kiral, employer, principal, agent, consultant, owner, part-owner, co-venturer, officer, director, shareholder, partner, manager, operator, financier, employee, salesman, or in any other individual or representative or participating capacity, any business which develops or markets oxygen biotherapeutics for a period of two (2) years from the date of separation from OXBO in the area of the Continental United States.

8.2 Interpretation. Should any portion or provision of this covenant not to compete be found by a court of competent jurisdiction to be overly broad, it is the express intent of the parties hereto that such provisions shall nevertheless be enforced to the maximum extent permitted by law and shall govern and apply to as much geographical area and/or time duration, not to exceed that which is set forth above, as possible. This agreement shall not be interpreted for or against either party on the ground that such party drafted the agreement, or any provision thereof.

9. CONFIDENTIALITY PROVISION.

9.1 Proprietary Information Defined. The following terms shall have the meanings respectively set forth for them below:

(a) “Proprietary Information” shall mean any and all inventions, research, designs, products, processes, formulae, know-how, customer lists, customer requirements information, trade secrets and/or other non-public information or data comprising or related to the business of Corporation as the same is carried on from time to time;

(b) “Proprietary Rights” shall mean all trademarks, patents, copyrights, rights of creators and/or similar rights and privileges, whether domestic or foreign, statutory or at common law, filed or not filed, perfected or unperfected, or otherwise, relating to any Proprietary Information;

(c) “Proprietary Proceeds” shall mean all proceeds and products of any Proprietary Information and/or Proprietary Rights; and

(d) “Proprietary Assets” shall mean Proprietary Information and/or Proprietary Rights and/or Proprietary Proceeds, considered collectively or separately.

(e) “Proprietary Information” and “Proprietary Assets” shall not include any information or other item that is known to the public or known in the industry in which OXBO is engaged, or which subsequently becomes publicly known by lawful means.

9.2 Acknowledgement of OXBO’s Proprietary Information. Kiral agrees and acknowledges that any and all Proprietary Information (together with all Proprietary Rights and/or Proprietary Proceeds relating thereto) wholly or partially created, developed or further developed, perfected and/or completed by Kiral, acting alone or jointly with others at any time during Kiral’s employment with OXBO, shall immediately upon creation, completion and/or development become or have become, and shall at all times thereafter remain, the sole and exclusive property of OXBO.

9.3 OXBO’s Property. Kiral specifically agrees and acknowledges that (a) any and all Proprietary Assets, however, whenever and from whomever acquired by OXBO, are and shall at all times remain the sole and exclusive property of OXBO, (b) Kiral shall not use, possess, disclose, transfer and/or otherwise deal with any such Proprietary Assets at any time during his

employment with OXBO other than specifically within the scope of his employment and in furtherance of the business and affairs of OXBO, and (c) Kiral shall not use, possess, disclose, transfer and/or otherwise deal with any Proprietary Assets at any time after the termination of his employment with OXBO under any circumstances whatsoever.

9.4 Kiral's Duties. Kiral agrees that he shall, both throughout the term of his employment with OXBO and at any and all times following the termination thereof, execute and deliver all such further instruments and documents, and do and perform all such further acts and things, as may be necessary or helpful and/or as may be reasonably requested by OXBO in furtherance of the purposes and intent of this Agreement. By way of illustration and not by way of limitation of the foregoing, Kiral specifically agrees that he shall:

(a) Immediately communicate and thoroughly describe to OXBO in writing any and all such Proprietary Information as is described in Section 9.1 above;

(b) Promptly execute and deliver all such instruments or agreements of assignment and/or transfer as OXBO may from time to time request to carry out the purposes and intent of Section 9.1 above;

(c) Assist OXBO, at such times and in such manner as OXBO may request, in connection with OXBO's efforts to secure, apply for, renew or otherwise perfect Proprietary Rights with respect to any and all Proprietary Information; and

(d) Upon termination of his employment with OXBO, immediately deliver to OXBO any and all written recorded or other physical evidence of any and all Proprietary Assets in his possession or under his control;

PROVIDED, that in consideration of the foregoing, OXBO agrees that all reasonable costs and expenses incurred by Kiral, including reasonable compensation for his time in complying with the provisions of this Section 9 shall be for OXBO's account.

9.5 Disclosure of Information. Kiral will not, during the employment term or after, disclose or use any Proprietary Information or permit disclosure to any person, firm, corporation, association or other entity if such disclosure would be detrimental to OXBO.

9.6 Survival. It is specifically understood and agreed by both such parties that this Agreement shall survive Kiral's employment with OXBO and/or the making and/or termination of any contract or agreement with respect thereto.

10. GENERAL PROVISIONS.

10.1 Notices. Any notices to be given hereunder by each party to the other may be effected by personal delivery in writing or by mail registered or certified, postage prepaid with return receipt requested. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of two (2) days after mailing.

10.2 Violation of Other Agreements. OXBO hereby warrants to Kiral that the execution of this Agreement will not violate any outstanding agreements or covenants to which OXBO is a party. Further, OXBO hereby warrants that the execution of this Agreement and the performance of its terms hereunder do not violate any provisions of the By-Laws of OXBO.

10.3 Applicable Law. This Agreement shall be construed under the laws of the State of California and may not be altered or modified except by an agreement in writing, signed by both parties.

10.4 Arbitration. Any dispute, controversy or claim arising out of or in respect to this Agreement (or its validity, interpretation or enforcement), the employment relationship, the termination of the employment relationship or the subject matter hereof shall at the request of either party be submitted to and settled by arbitration conducted before a single arbitrator in Orange County, California in accordance with the Employment Dispute Arbitration Rules of the American Arbitration Association. The issue of arbitrability shall be governed by the Federal Arbitration Act (9 U.S.C. §§ 1-16). The arbitrator in such action shall not be authorized to change or modify any provision of this Agreement. Judgement upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. Arbitration shall be the exclusive remedy of Kiral and OXBO and the award of the arbitrator shall be final and binding upon the parties.

10.5 Entire Agreement. This Agreement supersedes any and all other or previous agreements, either oral or in writing, between the parties hereto with respect to the employment of Kiral by OXBO and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. This Agreement shall not supersede, affect or amend the 1999 Stock Plan (or amendments thereto), or any other stock option or similar plans adopted by OXBO, or any other Kiral benefit plan in effect during the Employment Term; provided, however, that, should any provision of this Agreement contradict or be inconsistent with any provision of any stock option Plan, or any amendment thereto, or with the terms of any other Kiral benefit plan, the terms of this Agreement shall govern.

10.6 Partial Invalidity. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

10.7 Merger or Consolidation. OXBO hereby agrees that it shall not merge or consolidate into or with or sell substantially all its assets to any firm, entity, company or person until such other firm, entity, company or person expressly agrees, in writing, to assume and discharge the duties and obligations of OXBO under this Agreement. This Agreement shall be binding upon the parties hereto, their successors, beneficiaries, heirs and personal representatives.

10.8 Amendments and Waivers. This Agreement shall not be varied, altered, waived, modified, changed or in any way amended in any of its parts except by an instrument in writing, executed by the parties hereto, or by their legal representatives. A waiver by either party of any of the terms of this Agreement in any instance shall not be deemed or construed to be a waiver of such term or condition for the future or of any subsequent breach thereof.

10.9 Directors and Officers Liability Insurance. The Corporation shall purchase and maintain in effect Directors and Officers Liability insurance, naming Kiral as an insured, in an amount not less than $5,000,000, for the Employment Term. Said Directors and Officers Liability insurance shall provide for coverage for Kiral, in the event Kiral is terminated, dies, resigns or retires, for any post-termination claims made against Kiral that arose during the period Kiral served as a director, Kiral and/or officer of OXBO.

Executed at Costa Mesa, California.

EMPLOYER:

Oxygen Biotherapeutics, Inc.

Dated: 15 July 2009

By: /s/ Chris J. Stern
Chris J. Stern, Chairman & CEO

Kiral:

Dated: 15 July 2009

/s/ Richard M. Kiral
Richard M. Kiral

Exhibit 31.1

CERTIFICATION

I, Chris J. Stern, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended April 30, 2009, of Oxygen Biotherapeutics, 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 periods covered by this report;

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

4. The registrant's other certifying officer(s) and I are 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-a5(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. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal 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.

August 12, 2009

By: /s/ Chris J. Stern

Chris J. Stern, Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Charles H. Seeman, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended April 30, 2009, of Oxygen Biotherapeutics, 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 periods covered by this report;

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

4. The registrant's other certifying officer(s) and I are 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-a5(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. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal 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.

August 12, 2009

By: /s/ Charles H. Seeman
Charles H. Seeman, Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Oxygen Biotherapeutics, Inc. (the "Company") on Form 10-K for the period ended April 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris J. Stern, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2009

By: /s/ Chris J. Stern
Chris J. Stern
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Oxygen Biotherapeutics, Inc. (the "Company") on Form 10-K for the period ended April 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles H. Seeman, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2009

By: /s/ Charles H. Seeman
Charles H. Seeman
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.