July 1, 2016

KaloBios Emerges from Chapter 11 Bankruptcy

- *Emerges as a transformed and revitalized company from a complicated bankruptcy*
- *Receives $14 million in equity financing to help recapitalize its business*
- *Acquires rights to benznidazole for the treatment ofChagas disease*
- *Positioned to deliver on its neglected and rare disease pipeline*
- *Committed to transformational ideas, such as responsible pricing, to drive change*

BRISBANE, Calif., July 01, 2016 (GLOBE NEWSWIRE) -- KaloBios Pharmaceuticals, Inc. (OTC:KBIOQ), a developmental stage biopharmaceutical company focused on advancing medicines for patients with neglected and rare diseases, announced today that it has emerged from Chapter 11 bankruptcy and has also acquired the rights from Savant Neglected Diseases LLC to develop benznidazole for the treatment of Chagas disease.

“The Company has risen from the ashes with a great deal of hard work and new thinking on how a biopharmaceutical company can operate and a clear vision to move forward as a successful, positive leader in our industry,” said Cameron Durrant, MD, KaloBios chairman and CEO. “As one of the few companies solely focused on neglected and rare diseases, KaloBios will continue to move swiftly and apply itself to the real task of bringing patients crucial treatments they need, but to which they may not have access. We also see a unique opportunity to bring new ideas to address concerns, such as drug pricing, for all stakeholders in healthcare - with our Responsible Pricing Model as just the beginning.”

Under the terms of the agreement with Savant, the Company has made an upfront payment of $3 million and issued to Savant a warrant to purchase 200,000 shares of KaloBios common stock. The agreement includes milestones and royalties in connection with the development and potential approval and commercialization of benznidazole. If approved, the Company may receive a Priority Review Voucher.

KaloBios’ reorganization plan was overwhelmingly accepted by its creditors and other stakeholders and thereafter was confirmed by the Delaware bankruptcy court on June 16, 2016.

The exit equity financing of $11 million comes on top of a $3 million debtor-in-possession loan funded in May 2016, with both financings provided by investors Black Horse Capital LP, Black Horse Capital Master Fund Ltd., Cheval Holdings Ltd. and Nomis Bay Ltd. This additional liquidity provides a firm base to support the Company’s operations going forward. In connection with the bankruptcy exit, the debtor-in-possession loan converted into shares of KaloBios common stock.

Black Horse Capital managing member Dr. Dale Chappell will join the KaloBios Board of

Directors effective immediately. In addition, current Board member David Moradi has stepped down after helping to successfully guide the company through the bankruptcy process. Dr. Durrant and Ronald Barliant will remain on the Board of Directors. Ezra Friedberg and Timothy Morris will also join the Board of Directors as designees of the investors.

“On behalf of the Board of Directors, I want to thank David for his dedication, perseverance and commitment to KaloBios and its vision to emerge as a truly different kind of biopharmaceutical company. We are well on our way thanks to a clear strategy and an intense period of a lot of hard work by a small, focused and competent team,” said Dr. Durrant.

“I am pleased that KaloBios is emerging from Chapter 11 with a clear path forward as a stronger, more focused company,” said Mr. Moradi. “This positive outcome for all stakeholders is the result of the tireless efforts of the Company’s Board of Directors, management, employees and advisors over the past several months.”

KaloBios will file a report on Form 8-K to the Securities and Exchange Commission within the required timeframe.

About KaloBios Pharmaceuticals, Inc.

KaloBios Pharmaceuticals, Inc. (OTC:KBIOQ) is a developmental stage biopharmaceutical company focused on advancing medicines for patients with neglected and rare diseases through innovative and responsible business models. Lead compounds in the KaloBios portfolio are benznidazole for the potential treatment of neglected tropical disease Chagas disease in the U.S., and the proprietary monoclonal antibody, lenzilumab, for the potential treatment of chronic myelomonocytic leukemia and juvenile myelomonocytic leukemia. For more information, visit www.kalobios.com.

About Benznidazole

Benznidazole is an oral anti-parasitic medication used in the treatment of Chagas disease. According to the Centers for Disease Control and Prevention (CDC), an estimated 300,000 people in the United States are infected with Chagas disease, which, if left untreated, can lead to serious and potentially life-threatening cardiovascular, gastro-intestinal and neurological complications. Benznidazole is the standard of care for Chagas disease but is not currently approved by the U.S. Food and Drug Administration (FDA) and is available in the United States only from the CDC under investigational protocols. If approved, it would be the first commercially available benznidazole product for U.S. patients with Chagas disease.

Forward-Looking Statements

This release contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect management’s current knowledge, assumptions, judgment and expectations regarding future performance or events. Although management believes that the expectations reflected in such statements are reasonable, they give no assurance that

such expectations will prove to be correct and you should be aware that actual results could differ materially from those contained in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties including, but not limited to, the Company's ability to execute its revised strategy and business plan; the Company's ability to the Company's access to limited cash reserves and its ability to obtain additional capital on acceptable terms, or at all, including the additional capital which will be necessary to complete the clinical trials that the Company has initiated or plans to initiate; the potential timing and outcomes of clinical studies of benznidazole, lenzilumab, KB004 or any other products undertaken now or in the future; the commercial viability of the Company's proposed drug pricing program; the ability of the Company to timely source adequate supply of its development products from third party manufacturers on whom the Company depends; the potential, if any, for future development of any of its present or future products; the Company's ability to successfully progress, partner or complete further development of its programs; the ability of the Company to identify and develop additional products; the uncertainties inherent in clinical testing; the timing, cost and uncertainty of obtaining regulatory approvals; the uncertainty of receiving a Priority Review Voucher; the Company's ability to protect the Company's intellectual property; competition; changes in the regulatory landscape or the imposition of regulations that affect the Company's products; and other factors listed under "Risk Factors" in the Company's filings with the Securities and Exchange Commission.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this release. The company has no obligation, and expressly disclaims any obligation to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise.

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