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Aeolus Pharmaceuticals Announces Fiscal Year 2011 Results

MISSION VIEJO, CA -- (MARKET WIRE) -- 12/27/11 -- Aeolus Pharmaceuticals, Inc. (OTCQB: AOLS) (PINKSHEETS: AOLS), a biotechnology company leveraging significant government funding to develop a platform of novel compounds in oncology and biodefense, announced today financial results for the three months and twelve months ended September 30, 2011.

2011 Key Operational Accomplishments

- Awarded contract fully valued at $118.4 million from Biomedical Advanced Research and Development Authority (BARDA) to Develop Treatment for Pulmonary Acute Radiation Syndrome
- Reported final data in non-human primate study of AEOL 10150 in Acute Radiation Syndrome, demonstrating a survival advantage
- Reported positive results from study of AEOL 10150 and Neupogen® as combination therapy for treatment of Acute Radiation Syndrome
- Three well-respected biopharma equity analysts initiated research coverage
- Aeolus' research partners awarded more than $13.4 million in research grants from NIH CounterAct to study AEOL10150 as a treatment against chlorine, sulfur mustard and nerve gas exposure
- Filed for Orphan Drug designation of AEOL 10150 for mitigation and/or treatment of delayed effects of Acute Radiation Exposure of the lung
- Shored-up balance sheet with additional cash
- Strengthened management team with the addition of several key positions, including Chief Financial Officer
- Accomplished 11 key milestones under the BARDA Lung ARS development contract

2011 Key Financial Results

Total revenues for FY 2011 were $4.8 million as compared to no revenue in FY2010. Net income was $0.3 million, or $0.01 per basic share, which includes a non-cash gain of approximately $3.9 million related to decreases in the fair value of the warrants, for the

fiscal year ended September 30, 2011, as compared to a loss of $25.9 million, or $0.53 per basic share, which includes a charge of approximately $21.3 million related to increases in the fair value of the warrants, for the fiscal year ended September 30, 2010. As of September 30, 2011, the Company had cash and cash equivalents of $518,000.

For the fourth quarter FY 2011, total revenues were $2.1 million as compared to no revenue in 2010. Net loss for the fourth quarter in FY 2011 was $2.1 million, which includes a gain of approximately $1.1 million related to decreases in the fair value of the warrants, as compared to $12.9 million, which includes a charge of approximately $11.4 million related to increases in the fair value of the warrants, in the fourth quarter of FY 2010.

The warrant liability and revaluations have not and will not have any impact on the Company's working capital, liquidity or business operations. The Company's outstanding warrants will continue to be revalued at each balance sheet date, which could result in significant and unpredictable changes to our reported liabilities and significant additional gains or losses charged to the statement of operations for each period regardless of any changes to the Company's working capital, liquidity or business operations.

The increase in research and development expense reflects the acceleration of our Pulmonary Acute Radiation Syndrome ("Lung-ARS") program related to the execution of our contract with BARDA, and manufacturing of compound for our planned oncology study, as well as other non-BARDA studies, in 2012. G&A expenses were higher due to due to added headcount required to execute the contract with BARDA. We currently have ten research and development programs in progress: six programs involving AEOL 10150 as a medical countermeasure against the effects of sulfur mustard gas on the skin and lungs, chlorine gas on the lungs, against the effects of radiation on the lungs and on the gastro-intestinal tract, against the effects of nerve agents, two programs focused on AEOL 11207 and several other compounds as potential treatments for Parkinson's disease and epilepsy, one program studying another one of our compounds, AEOL 10171 (Hexyl), as a protectant against radiation exposure and one program studying AEOL 10150 as a treatment for cancer.

"During fiscal year 2011, we were able to take major steps forward in the development of AEOL 10150, at minimal cost to our shareholders, based on the support of our medical countermeasure development program by BARDA, NIH-NIAID and NIH CounterACT," stated John L. McManus, President and Chief Executive Officer. "We look forward to 2012, when we expect to receive a decision on several BARDA options, begin an important human safety study under the BARDA contract that will also support of our oncology program and report key data from several ongoing studies."

About AEOL 10150
AEOL 10150 is a broad-spectrum catalytic antioxidant specifically designed to neutralize reactive oxygen and nitrogen species. The neutralization of these species reduces oxidative stress, inflammation, and subsequent tissue damage-signaling cascades resulting from radiation exposure. AEOL 10150 could have a profound beneficial impact on people who have been exposed, or are about to be exposed, to high-doses of radiation in the treatment of oncology.

AEOL 10150 has already performed well in preclinical and non-clinical studies, was well-tolerated in two human clinical trials, and has demonstrated statistically significant survival efficacy in an acute radiation-induced lung injury model. The Company believes it could have a profound beneficial impact on people who have been exposed, or are about to be exposed, to high-doses of radiation, whether from cancer therapy or a nuclear event.

About Aeolus Pharmaceuticals
Aeolus Pharmaceuticals is developing a platform of a new class of broad-spectrum, catalytic-antioxidant compounds that protect healthy tissue from the damaging effects of radiation. Its first compound, AEOL 10150, is being developed for oncology indications, where it is used in combination with radiation therapy. It is also being developed, with funding by the US Department of Health and Human Services, as a medical countermeasure against chemical and radiological weapons, where its initial target indications are as a protective agent against the effects of acute radiation syndrome and delayed effects of acute radiation exposure. Aeolus' strategy is to leverage the substantial investment in toxicology, manufacturing, and preclinical and clinical studies made by US Government agencies in AEOL 10150, including the contract with BARDA valued, with options, at up to $118.4 million, to efficiently develop the compound for use in oncology. For more information, please visit Aeolus's corporate website at www.aeoluspharma.com.

Forward-Looking Statements
The statements in this press release that are not purely statements of historical fact are forward-looking statements. Such statements include, but are not limited to, those relating to Aeolus' product candidates, proprietary technologies, and current and future research and development programs, as well as Aeolus' contract with BARDA. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Aeolus' actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Important factors that could cause results to differ include risks associated with uncertainties of progress and timing of clinical trials, scientific research and product development activities, difficulties or delays in development, testing, obtaining regulatory approval, the need to obtain funding for pre-clinical and clinical trials and operations, the scope and validity of intellectual property protection for Aeolus' product candidates, proprietary technologies and their uses, competition from other biopharmaceutical companies, and Aeolus' contract with BARDA, including whether Aeolus will continue to receive funding under the contract. Certain of these factors and others are more fully described in Aeolus' filings with the Securities and Exchange Commission, including, but not limited to, Aeolus' Annual Report on Form 10-K for the year ended September 30, 2011. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,	Twelve Months Ended September 30,

	2011	2010	2011	2010
Revenue				
Contract Revenue	$ 2,124	$ -	$ 4,821	$ -
Costs and expenses:				
Research and development	2,010	805	5,055	1,690
General and administrative	1,122	617	3,668	1,954
Total costs and expenses	3,132	1,422	8,723	3,644
Loss from operations	(1,008)	(1,422)	(3,902)	(3,644)
Interest income (expense)	-	(18)	(21)	(878)
Warrant repricing charges	-	-	-	-
Warrant liability charges	(1,141)	(11,448)	3,887	(21,347)
Collaboration expense	-	-	-	-
Gain on sale of investments, available for sale	-	-	-	-
Other Income (Expense)	-	-	335	-
Net loss	$ (2,149)	$ (12,888)	$ 299	$ (25,869)
Net loss per weighted share attributable to common stockholders:				
Basic	$ (0.04)	$ (0.24)	$ 0.01	$ ($0.53)
Diluted	$ (0.04)	$ (0.24)	$ 0.00	$ ($0.53)
Weighted average common shares outstanding:				
Basic	60,470	53,600	59,474	49,151
Diluted	60,470	53,600	82,302	49,151

Selected Balance Sheet Items:
(in thousands)

	September 30, 2011	September 30, 2010
Cash and marketable securities	$ 518	$ 2,355
Total assets	$ 2,290	$ 2,433
Stockholders' equity (deficit)	$ (23,259)	$ (26,736)

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Source: Aeolus Pharmaceuticals