

May 14, 2012



Aeolus Pharmaceuticals Announces Second Quarter Fiscal Year 2012 Financial Results

MISSION VIEJO, CA -- (Marketwire) -- 05/14/12 -- Aeolus Pharmaceuticals, Inc. (OTCQB: AOLS) (OTCBB: AOLS)

- *\$2.2 million in revenue for second quarter 2012; \$4.4 million in revenue for first half of fiscal year 2012*
- *No-cost extension & modification of BARDA base year contract*
- *BARDA exercises second year contract options*

Aeolus Pharmaceuticals, Inc., 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 six months ended March 31, 2012.

The Company reported a net profit of approximately \$2,763,000, or \$0.05 per share, which includes a non-cash charge of approximately \$3,324,000 related to decreases in the fair value of warrants that are included as a component of other income (expenses) in the statement of operations, for the three months ended March 31, 2012. This compares to a net profit of \$3,778,000, or \$0.06 per share, which includes a non-cash charge of approximately \$4,746,000 related to decreases in the fair value of warrants that are included as a component of other income (expenses) in the statement of operations, for the three months ended March 31, 2011.

"The Company continues to make significant progress under our \$118 million advanced research and development contract with BARDA, and BARDA confirmed their commitment to our program during the quarter with the exercise of two options valued at \$9.1 million," stated John L. McManus, President and Chief Executive Officer. "With the base period and option funding in place we will have four key efficacy studies underway during the next 12 months, which we hope will provide additional evidence of AEOL 10150's ability to mitigate damage from radiation exposure."

Revenue for the three months ended March 31, 2012 was approximately \$2,231,000, which compares to revenue of \$785,000 for the three months ended March 31, 2011. The revenue is from the collaboration with BARDA announced on February 11, 2011.

Research and development expenses increased about \$1,020,000 to approximately \$1,927,000 for the three months ended March 31, 2012, from approximately \$907,000 for the three months ended March 31, 2011. The increase is primarily attributable to work related to the BARDA Contract.

General and administrative expenses increased about \$25,000, to approximately \$865,000 for the three months ended March 31, 2012 from approximately \$840,000 for the three months ended March 31, 2011.

As of March 31, 2012, the Company had approximately \$390,000 in cash and cash equivalents and 62,237,551 common shares outstanding. The Company had accounts receivable of \$2,479,000 and accounts payable of \$3,376,000 on March 31, 2012. Aeolus has filed today with the SEC its Quarterly Report on Form 10-Q for the quarter ended March 31, 2012. Aeolus urges its investors to read this quarterly filing as well as its amended Annual Report on Form 10-K/A, also filed with the SEC, for further details concerning the Company. The Quarterly Report on Form 10-Q and the amended Annual Report on Form 10-K/A are also available on the Company's website, at <http://www.aeoluspharma.com>.

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 new class of catalytic antioxidant compounds that protects 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 Government, 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.

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, as well as its proprietary technologies and research programs, the Company's potential initiation of large efficacy studies, the potential impact

of AEOL 10150 and the BARDA Contract. 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, and competition from other biopharmaceutical companies, and whether BARDA exercises one or more additional options under the BARDA 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' amended Annual Report on Form 10-K/A 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.

AEOLUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2012	September 30, 2011	

(Unaudited)			
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 390	\$ 518	
Accounts receivable	2,479	1,677	
Prepays and other current assets	210	63	

Total current assets	3,079	2,258	
Investment in CPEC LLC		32	32

Total assets	\$ 3,111	\$ 2,290	
=====			

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:			
Accounts payable and accrued expenses	\$ 3,376	\$ 2,144	

Total current liabilities	3,376	2,144	
Warrant liability	16,393	23,405	

Total liabilities	19,769	25,549	

Commitments and Contingencies

Stockholders' deficit:

Preferred stock, \$.01 par value per share,
10,000,000 shares authorized:
Series B nonredeemable convertible preferred
stock, 1,600,000 and 600,000 shares

authorized as of March 31, 2012 and September 30, 2011, respectively; 526,080 and 526,080 shares issued and outstanding as of March 31, 2012 and September 30, 2011, respectively	5	5
Common stock, \$.01 par value per share, 200,000,000 shares authorized; 62,237,551 and 60,470,718 shares issued and outstanding as of March 31, 2012 and September 30, 2011, respectively	622	605
Additional paid-in capital	159,387	158,543
Accumulated deficit	(176,672)	(182,412)
	-----	-----
Total stockholders' deficit	(16,658)	(23,259)
	-----	-----
Total liabilities and stockholders' deficit	\$ 3,111	\$ 2,290
	=====	=====

AEOLUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share data)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2012	2011	2012	2011
	-----	-----	-----	-----
Revenue				
Contract Revenue	\$ 2,231	\$ 785	\$ 4,446	\$ 785
Costs and expenses:				
Research and development	1,927	907	3,998	1,097
General and administrative	865	840	1,720	1,390
	-----	-----	-----	-----
Total costs and expenses	2,792	1,747	5,718	2,487
	-----	-----	-----	-----
Loss from operations	(561)	(962)	(1,272)	(1,702)
Non-cash financing charges and change in fair value of warrants	3,324	4,746	7,012	(2,456)
Interest income (expense), net	--	(6)	--	(21)
Other income (expense), net	--	--	--	337
	-----	-----	-----	-----
Net income (loss)	\$ 2,763	\$ 3,778	\$ 5,740	\$ (3,842)
	=====	=====	=====	=====
Net income (loss) per weighted share attributable to common stockholders:				
Basic	\$ 0.05	\$ 0.06	\$ 0.10	\$ (0.07)
	-----	-----	-----	-----
Diluted	\$ 0.04	\$ 0.03	\$ 0.08	\$ (0.07)
	=====	=====	=====	=====

Weighted average common shares
outstanding:

Basic	60,490	59,953	60,480	58,473
	-----	-----	-----	-----
Diluted	71,858	121,640	76,334	58,473
	=====	=====	=====	=====

AEOLUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended March 31,	
	----- 2012	----- 2011
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 5,740	\$ (3,842)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	347	421
Change in fair value of warrants	(7,012)	1,922
Noncash interest and warrant costs	--	534
Change in assets and liabilities:		
Accounts receivable	(803)	(785)
Prepaid and other assets	(17)	(39)
Accounts payable and accrued expenses	1,232	(136)
	-----	-----
Net cash used in operating activities	(513)	(1,925)
	-----	-----
Cash flows provided by financing activities:		
Proceeds from issuance of common stock and warrants	400	1,000
Costs related to the issuance of common stock and warrants	(15)	(13)
Proceeds from exercise of warrants	--	269
	-----	-----
Net cash provided by financing activities	385	1,256
	-----	-----
Net decrease in cash and cash equivalents	(128)	(669)
Cash and cash equivalents at beginning of period	518	2,355
	-----	-----
Cash and cash equivalents at end of period	\$ 390	\$ 1,686
	=====	=====
Supplemental disclosure of non-cash financing activities:		
Common stock issued for short-term receivable	\$ 130	\$ --
	=====	=====

[Add to Digg](#) [Bookmark with del.icio.us](#) [Add to Newsvine](#)

Contact:

Russell Skibsted

Sr. Vice President and Chief Financial Officer
Aeolus Pharmaceuticals, Inc.
1-(949) 481-9825

Source: Aeolus Pharmaceuticals