August 14, 2013

Aeolus Announces Third Quarter Fiscal Year 2013 Financial Results

MISSION VIEJO, CA -- (Marketwired) -- 08/14/13 -- Aeolus Pharmaceuticals, Inc. (OTCQB: AOLS), a biotechnology company developing compounds to protect against radiological and chemical threats with significant funding from the US Government, announced today financial results for the three months and nine months ended June 30, 2013.

The Company reported a net loss of approximately $786,000, or $0.01 per share for the three months ended June 30, 2013. This compares to a net profit of $3,064,000, or $0.02 per share, which includes a non-cash adjustment of approximately $3,666,000 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 June 30, 2012.

"During the quarter, we announced additional positive data from studies funded by the National Institutes of Health CounterACT program in sulfur and nitrogen mustard gas exposure. This data confirmed AEOL-10150 is effective in dramatically decreasing lung and skin damage and significantly improving survival in animals exposed to these deadly chemical agents," stated John L. McManus, President and Chief Executive Officer. "We intend to meet with the FDA to discuss the design of a pivotal rodent study and the selection of a second species to satisfy the requirements for approval under the Animal Rule. This development pathway is separate from our collaboration with BARDA to develop AEOL-10150 for the lung and delayed effects of acute radiation exposure. We believe that demonstrated efficacy in multiple national security threats will make AEOL-10150 an attractive candidate for procurement as a medical countermeasure."

Revenue for the three months ended June 30, 2013 was approximately $844,000, which compares to revenue of $1,448,000 for the three months ended June 30, 2013. The revenue is from the collaboration with BARDA announced on February 11, 2011. Lower revenue in the 3rd quarter of 2013 reflects both the timing of the initiation of program items as well as revenue recognition under accounting rules.

Research and development expenses decreased to approximately $727,000 for the three months ended June 30, 2013, from approximately $1,226,000 for the three months ended June 30, 2012. The decrease in 3rd quarter 2013 expenses reflects both the timing of the initiation of program items under the BARDA contract as well as expense recognition under accounting rules.

General and administrative expenses were approximately $903,000 for the three months ended March 31, 2013 compared to approximately $824,000 for the three months ended March 31, 2012. The higher expense was primarily due stock option expense.

Key accomplishments during the quarter include:

- Announced data from NIH CounterACT-funded studies demonstrating AEOL-10150 improved survival up to 82 percent in animals exposed to sulfur mustard gas
- Announced data from NIH CounterACT-funded studies demonstrating AEOL-10150 protected skin and improved survival to 100% in animals exposed to nitrogen mustard gas

As of June 30, 2013, the Company had approximately $2,732,000 in cash and cash equivalents and 134,550,068 common shares outstanding. The Company had accounts receivable of $343,000 and accounts payable of $2,026,000 on June 30, 2013. Aeolus has filed today with the SEC its Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. 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 may 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 performed well in preclinical and non-clinical studies, demonstrating statistically significant survival efficacy in an acute radiation-induced lung injury model, and was well-tolerated in two human clinical trials. 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, 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, as well as its proprietary technologies and research

programs, the Company's potential initiation of large efficacy studies in mice and NHPs, as well as a phase 1 study in healthy normal volunteers, the BARDA Contract, and the expected use of proceeds from the financing. 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' Annual Report on Form 10-K for the year ended September 30, 2012. 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

(Unaudited)

(In thousands, except share and per share data)

	June 30, 2013	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,732	$ 281
Accounts receivable	343	882
Deferred subcontractor cost	935	--
Prepaids and other current assets	51	61
Total current assets	4,061	1,224
Investment in CPEC LLC	32	32
Total assets	$ 4,093	$ 1,256
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,026	$ 2,272
Deferred revenue	972	--
Total current liabilities	2,998	2,272
Warrant liability	--	19,319
Total liabilities	2,998	21,591

Commitments and Contingencies (Note H)		
Stockholders' equity (deficit):		
Preferred stock, $.01 par value per share, 10,000,000 shares authorized:		
Series B nonredeemable convertible preferred stock, 1,600,000 and 1,600,000 shares authorized as of June 30, 2013 and September 30, 2012, respectively; 526,080 and 526,080 shares issued and outstanding as of June 30, 2013 and September 30, 2012, respectively	5	5
Common stock, $.01 par value per share, 200,000,000 shares authorized; 134,550,068 and 62,731,963 shares issued and outstanding as of June 30, 2013 and September 30, 2012, respectively	1,346	627
Additional paid-in capital	182,999	159,747
Accumulated deficit	(183,255)	(180,714)
Total stockholders' equity (deficit)	1,095	(20,335)
Total liabilities and stockholders' equity (deficit)	$ 4,093	$ 1,256

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

AEOLUS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Revenue:				
Contract Revenue	$ 844	$ 1,448	$ 3,045	$ 5,894
Costs and expenses:				
Research and development	727	1,226	2,514	5,223
General and administrative	903	824	2,562	2,545
Total costs and expenses	1,630	2,050	5,076	7,768
Loss from operations	(786)	(602)	(2,031)	(1,874)
Non-cash financing charges and change in fair value of warrants (Notes D, E and F)	--	3,666	(510)	10,678
Net income (loss)	$ (786)	$ 3,064	$ (2,541)	$ 8,804

Net income (loss) per weighted share attributable to common stockholders:				
Basic (Note G)	$ (0.01)	$ 0.02	$ (0.03)	$ 0.07
Diluted (Note G)	$ (0.01)	$ 0.00	$ (0.03)	$ (0.02)
Weighted average common shares outstanding:				
Basic	134,550	62,678	97,120	61,210
Diluted	134,550	63,500	97,120	71,423

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

AEOLUS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	$ (2,541)	$ 8,804
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	584	505
Change in fair value of warrants	510	(10,695)
Noncash interest and warrant costs	--	17
Change in assets and liabilities:		
Accounts receivable	539	(688)
Deferred subcontractor cost	(935)	--
Prepaid and other assets	10	8
Accounts payable and accrued expenses	(246)	1,096
Deferred revenue	972	--
Net cash used in operating activities	(1,107)	(953)
Cash flows provided by financing activities:		
Proceeds from issuance of common stock and warrants	3,616	660
Costs related to the issuance of common stock and warrants	(58)	(18)
Net cash provided by financing activities	3,558	642

Net decrease in cash and cash equivalents	2,451	(311)
Cash and cash equivalents at beginning of period	281	518
Cash and cash equivalents at end of period	$ 2,732	$ 207

The accompanying notes are an integral part of these unaudited condensed consolidated

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Source: Aeolus Pharmaceuticals