

August 17, 2015



## Aeolus Announces Third Quarter Fiscal Year 2015 Financial Results

MISSION VIEJO, CA -- (Marketwired) -- 08/17/15 -- [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 and nine months ended June 30, 2015.

The Company reported a net loss of approximately \$784,000, or \$0.01 per share for the three months ended June 30, 2015. This compares to net income of \$1,576,000, or \$0.01 per share, for the three months ended June 30, 2014. The net income in 2014 was attributable to revenue received under a \$1.8 million Contract Modification from the Biomedical Advanced Research and Development Authority ("BARDA") for reimbursement of expenses from prior periods. The Company reported a net loss of approximately \$2,194,000, or \$0.02 per share for the nine months ended June 30, 2015. This compares to net income of \$445,000, or \$0.00 per share, for the nine months ended June 30, 2014. The net income in 2014 was attributable to the Contract Modification.

"We are very pleased with the progress this quarter in the development of AEOL 10150 as both a medical countermeasure against the pulmonary effects of Acute Radiation Syndrome ("Lung ARS") and as a treatment for diseases like idiopathic pulmonary fibrosis ("IPF)," stated John L. McManus, President and Chief Executive Officer. "In May we reported the complete results from our successful study in non-human primates exposed to lethal radiation and treated with AEOL 10150. In addition to doubling survival compared to untreated controls, animals receiving AEOL 10150 exhibited reduced incidence of inflammation and fibrosis, improved clinical measures of lung function and no evidence of molecular biomarkers for lung injury. During the quarter, we also announced an additional option exercise under our development contract with BARDA to complete the work necessary to address the FDA clinical hold on 10150. We have already commenced this work and hope to provide additional data to the FDA in the near future."

### ***Results of Operations for the three months ended June 30, 2015***

We had net loss of \$784,000 and net income of \$1,576,000 and cash inflows from operations of \$148,000 and cash outflows from operations of \$752,000 for the three months ended June 30, 2015 and June 30, 2014, respectively.

Revenue for the three months ended June 30, 2015 was \$63,000, which compares to \$4,983,000 for the three months ended June 30, 2014 all of which is attributable to the contract with BARDA. The higher revenue in 2014 is attributable to a Contract Modification for \$1.8 million for reimbursement of expenses from prior periods and timing of reimbursement for large studies being conducted during that period. Under the BARDA

Contract, we generate contract revenue from a cost-plus fee arrangement. Revenues on reimbursable contracts are recognized as costs are incurred, which is based on allowable costs incurred during the period, plus any recognizable earned fee. We consider fixed fees under cost-plus fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Research and Development ("R&D") expenses decreased \$2,560,000, or 90%, to \$269,000 for the three months ended June 30, 2015 from \$2,829,000 for the three months ended June 30, 2014. The decrease is primarily attributable to the timing of work under the BARDA Contract, including the large study in non-human primates completed in the third calendar quarter of 2014.

General and administrative ("G&A") expenses increased \$1,000, or less than 1%, to \$578,000 for the three months ended June 30, 2015 from \$577,000 for the three months ended June 30, 2014.

### ***Results of Operations for the nine months ended June 30, 2015***

We had a net loss of \$2,194,000 and net income of \$445,000 and cash outflows from operations of \$1,121,000 and cash inflows from operations of \$403,000 for the nine months ended June 30, 2015 and June 30, 2014, respectively.

Revenue for the nine months ended June 30, 2015 was \$2,177,000, which compares to \$7,214,000 for the nine months ended June 30, 2014. The higher revenue in 2014 is attributable to a Contract Modification for \$1.8 million for reimbursement of expenses from prior periods and timing of reimbursement for large studies being conducted during that period. All of the revenue is from the BARDA Contract. Since being awarded the BARDA Contract, we generate contract revenue from a cost-plus fee arrangement. Revenues on reimbursable contracts are recognized as costs are incurred, generally based on allowable costs incurred during the period, plus any recognizable earned fee. We consider fixed fees under cost-plus fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Research and Development ("R&D") expenses decreased \$2,170,000, or 46%, to \$2,539,000 for the nine months ended June 30, 2015 from \$4,709,000 for the nine months ended June 30, 2014. The decrease is primarily attributable to work related to the BARDA Contract.

General and administrative ("G&A") expenses decreased \$227,000, or 11%, to \$1,832,000 for the nine months ended June 30, 2015 from \$2,059,000 for the nine months ended June 30, 2014 due to lower stock-based compensation.

As of June 30, 2015, the Company had approximately \$416,000 in cash and cash equivalents and 135,930,068 common shares outstanding. The Company had accounts receivable of \$656,000 and accounts payable of \$1,465,000 on June 30, 2015.

Aeolus has filed today with the SEC its Quarterly Report on Form 10-Q for the quarter ended June 30, 2015. Aeolus urges its investors to read this quarterly filing as well as its Annual Report on Form 10-K, also filed with the SEC, for further details concerning the

Company. The Quarterly Report on Form 10-Q and the Annual Report on Form 10-K are also available on the Company's website, at [www.aolsrx.com](http://www.aolsrx.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 benefit 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 and pulmonary fibrosis. For more information, please visit Aeolus's corporate website at [www.aolsrx.com](http://www.aolsrx.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, 2014. 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 per share data)

	June 30, 2015	September 30, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 416	\$ 1,517
Accounts receivable	656	1,559
Deferred subcontractor cost	28	426
Prepays and other current assets	73	46
Total current assets	1,173	3,548
Investment in CPEC LLC	32	32
Total assets	\$ 1,205	\$ 3,580
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,465	\$ 1,552
Deferred revenue	29	443
Total current liabilities	1,494	1,995
Total liabilities	1,494	1,995
Commitments and Contingencies (Note F)		
Stockholders' (deficit) equity:		
Preferred stock, \$.01 par value per share, 10,000,000 shares authorized:		
Series A nonredeemable convertible preferred stock, 1,250,000 shares authorized as of June 30, 2015 and September 30, 2014, respectively; no shares issued and outstanding as of June 30, 2015 and September 30, 2014, respectively	-	-
Series B nonredeemable convertible preferred stock, 1,600,000 and 1,600,000 shares authorized as of June 30, 2015 and September 30, 2014, respectively; 526,080 and 526,080 shares issued and outstanding as of June 30, 2015 and		

September 30, 2014, respectively	5	5
Common stock, \$.01 par value per share, 200,000,000 shares authorized; 135,930,068 shares issued and outstanding as of June 30, 2015 and September 30, 2014, respectively	1,359	1,359
Additional paid-in capital	184,543	184,223
Accumulated deficit	(186,196)	(184,002)
Total stockholders' (deficit) equity	(289)	1,585
Total liabilities and stockholders' (deficit) equity	\$ 1,205	\$ 3,580

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

	Three months Ended		Nine Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue:				
Contract Revenue	\$ 63	\$ 4,983	\$ 2,177	\$ 7,214
Costs and expenses:				
Research and development	269	2,829	2,539	4,709
General and administrative	578	577	1,832	2,059
Total costs and expenses	847	3,406	4,371	6,769
Net (loss) income from operations	(784)	1,576	(2,194)	445
Net (loss) income	\$ (784)	\$ 1,576	\$ (2,194)	\$ 445
Net (loss) income per weighted share attributable to common stockholders:				
Basic (Note D)	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ 0.00
Diluted (Note D)	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ 0.00
Weighted average common shares outstanding:				
Basic	135,900	134,550	135,867	134,550
Diluted	135,900	136,861	135,867	136,829

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

	Nine Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net (loss) income	\$ (2,194)	\$ 445
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Stock-based compensation	300	485
Change in assets and liabilities:		
Accounts receivable	903	(2,349)
Deferred subcontractor cost	398	(138)
Prepaid and other assets	(27)	(31)
Accounts payable and accrued expenses	(87)	1,846
Deferred revenue	(414)	143
Net cash used in operating activities	<u>(1,121)</u>	<u>403</u>
Cash flows from financing activities:		
Proceeds from exercise of common stock warrants	20	-
Net cash provided by financing activities	<u>20</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,101)	403
Cash and cash equivalents at beginning of period	1,517	869
Cash and cash equivalents at end of period	<u>\$ 416</u>	<u>\$ 1,272</u>

Contact:  
John McManus  
President and Chief Executive Officer  
Aeolus Pharmaceuticals, Inc.  
1-(949) 481-9825

Source: Aeolus Pharmaceuticals