December 18, 2015

Aeolus Announces Fiscal Year 2015 Financial Results

MISSION VIEJO, CA -- (Marketwired) -- 12/18/15 -- Aeolus Pharmaceuticals, Inc. (OTCQB: AOLS), a biotechnology company developing compounds to protect against radiological and chemical threats in partnership with the US Government, announced today financial results for the three months and twelve months ended September 30, 2015.

Key Fiscal Year 2015 Operational Accomplishments

- Reported strong secondary endpoint data from our Non-Human Primate ("NHP") efficacy study in pulmonary Acute Radiation Syndrome ("Lung-ARS") supporting the significant improvement in survival reported after treatment with AEOL 10150 in NHP's exposed to lung irradiation: In addition to doubling survival at 180 days after exposure, treatment with AEOL 10150:
  - Increased mean and median overall survival time and mean and median survival in subjects that did not survive to 180 days
  - Increased time to onset of increased respiratory rate, a clinical measure of lung injury
  - Decreased mortality in subjects with elevated respiratory rate
  - Decreased wet lung weight in all animals, suggesting less parenchymal damage and edema
  - Increased Sp02, a measure of compensated lung function
  - Diminished radiographic evidence of pneumonitis and fibrosis during the later stages of the study (days 90-180)
- Received notice from the Office of Orphan Products Development at the U.S. Food & Drug Administration (FDA) granting Orphan Drug Designation for AEOL 10150 "for treatment of idiopathic pulmonary fibrosis."
- Announced the formation of a Clinical Advisory Board for Idiopathic Pulmonary Fibrosis chaired by Dr. Kevin Brown of National Jewish Health.
- Filed a provisional patent application with the United States Patent Office for a new series of compounds, licensed from National Jewish Health, demonstrating anti-microbial and anti-inflammatory action.
- Received a Notice of Allowance from the Israeli Patent Office for AEOL 10150 for treating injury associated with exposure to alkylating agents such as sulfur mustard gas
- Received a Notice of Allowance of a composition of matter patent from the European Patent Office for its oral Parkinson's disease drug, AEOL 11114 following development in collaboration with the Michael J. Fox Foundation for Parkinson's disease.

"During fiscal 2015, Aeolus evolved from a company with one very promising drug under development as a medical countermeasure to a company with three drugs being developed as countermeasures for radiation, chemical and nerve agent threats and treatments for four unmet commercial medical needs," stated John L. McManus, President and Chief Executive Officer of Aeolus Pharmaceuticals, Inc. "We also reported additional strong efficacy data in the NHP Lung-ARS program and received additional patents and were granted orphan drug designation for AEOL 10150 by the FDA Office of Orphan Products. We enter 2016 with AEOL 10150 under development as countermeasure for radiation, mustard gas, chlorine gas and nerve agents, as well as a treatment for Idiopathic Pulmonary Fibrosis, and our two new compounds moving towards Investigational New Drug filings in Parkinson's disease and Cystic Fibrosis."

Financial Results

The Company reported a net loss of $2,628,000 for the fiscal year ended September 30, 2015, versus net loss of $80,000 for the fiscal year ended September 30, 2014.

Revenue for the fiscal year ended September 30, 2014 was approximately $3,111,000, compared to $9,631,000 revenue for the fiscal year ended September 30, 2013. The revenue is from the collaboration with BARDA announced on February 11, 2011. Since being awarded the BARDA Contract, the Company generates contract revenue from a cost-plus fee arrangement. Revenues on reimbursable contracts are recognized as costs are incurred, based on allowable costs incurred during the period, plus any recognizable earned fee. Fixed fees under cost-plus fee contracts are considered earned in proportion to the allowable costs incurred in performance of the contract.

On June 26, 2015, the Company received an exercised option under the BARDA Contract for $3,000,000 of additional research. The option exercise brings the total exercised value of the BARDA contract as of September 30th, 2015 to $30.3 million. The total value of the BARDA contract is $118.4 million. The Company may receive up to an additional $88.1 million in options exercisable over the remaining years of the contract.

Revenue was lower in 2015 versus 2014 primarily due to the timing of work related to the BARDA contract and the prior year Contract Modification.

Research and development expenses decreased by $3,457,000, or 50%, to approximately $3,509,000 for the fiscal year ended September 30, 2015 from approximately $6,966,000 for the fiscal year ended September 30, 2014. R&D expenses were lower during the fiscal year ended September 30, 2015 versus September 30, 2014 due to the timing of work related to the BARDA Contract.

G&A expenses decreased approximately $517,000, or 19%, to approximately $2,228,000 for the fiscal year ended September 30, 2015 from about $2,745,000 for the fiscal year ended September 30, 2014. Consulting stock expense decreased by about $444,000 as a result of decreased awards for the period. Legal expense decreased by about $34,000 as a result of lower SEC filing and financing costs.

For the fourth quarter of FY 2015, total revenues were $934,000 as compared to $2,417,000 in the fourth quarter of FY 2014. Net loss for the fourth quarter in FY 2015 was

$434,000 or ($0.00/share) as compared to $524,000 or ($0.00/share) in the fourth quarter of FY2014.

Aeolus has filed today with the SEC its Annual Report on Form 10-K for the fiscal year ended September 30, 2015. 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 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 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 novel compounds for use in biodefense, fibrosis, oncology, infectious diseases and diseases of the central nervous system. Its most advanced 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.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, development strategies and research programs, including the Company's initiation or potential initiation of pre-clinical development as well as clinical trials, including a phase 1 study in pulmonary fibrosis patients. 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 and

obtaining regulatory approval; the imposition or continuation of clinical holds on development projects; 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 whether BARDA exercises one or more additional options under the its contract with Aeolus. 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, 2015. 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
(DOLLARS IN THOUSANDS)

	September 30,	
	2015	***2014***
ASSETS		
Current assets:		
Cash and cash equivalents	$ 94	$ 1,517
Accounts receivable	1,585	1,559
Deferred subcontractor cost	21	426
Prepaid expenses and other current assets	45	46
Total current assets	1,745	3,548
Investment in CPEC LLC	32	32
Total assets	$ 1,777	$ 3,580
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,598	$ 1,552
Deferred revenue	22	443
Note payable to shareholders, net of debt discount of $273	727	-
Note payable to shareholders redemption liability	275	-
Total current liabilities	2,622	1,995
Total liabilities	2,622	1,995
Commitments and Contingencies (Notes E and K)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized:		
Series A nonredeemable convertible preferred stock, 1,250,000 shares authorized as of September 30, 2015 and 2014, respectively; no shares issued and outstanding as of		

September 30, 2015 and 2014, respectively	-	-
Series B nonredeemable convertible preferred stock, 1,600,000 and 1,600,000 shares authorized as of September 30, 2015 and 2014, respectively; 526,080 and 526,080 shares issued and outstanding as of September 30, 2015 and 2014, respectively	5	5
Common stock, $0.01 par value per share, 200,000,000 shares authorized; 135,930,068 and 135,850,068 shares issued and outstanding at September 30, 2015 and 2014, respectively	1,359	1,359
Additional paid-in capital	184,421	184,223
Accumulated deficit	(186,630)	(184,002)
Total stockholders' (deficit) equity	(845)	1,585
Total liabilities and stockholders' (deficit) equity	$ 1,777	$ 3,580

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

AEOLUS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Fiscal Year Ended September 30,	
	2015	***2014***
Revenue:		
Contract revenue	$ 3,111	$ 9,631
Costs and expenses:		
Research and development	3,509	6,966
General and administrative	2,228	2,745
Total costs and expenses	5,737	9,711
Loss from operations	(2,626)	(80)
Interest expense	2	-
Net loss	$ (2,628)	$ (80)
Net loss attributable to common stockholders - basic	$ (2,628)	$ (80)
Net loss attributable to common stockholders - diluted	$ (2,628)	$ (80)
Basic net loss per common share	$ (0.02)	$ 0.00
Diluted net loss per common share	$ (0.02)	$ 0.00
Weighted average common shares outstanding:		
Basic	135,883	134,667
Diluted	135,883	134,667

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AEOLUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Fiscal Year Ended September 30,	
	2015	***2014***
Cash flows from operating activities:		
Net loss	$ (2,628)	$ (80)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Accrued interest	2	-
Noncash compensation	178	635
Change in assets and liabilities:		
Accounts receivable	(26)	(1,189)
Deferred subcontractor cost	405	230
Prepaid expenses and other current assets	1	(7)
Accounts payable and accrued expenses	46	973
Deferred revenue	(421)	(239)
Net cash (used in) provided by operating activities	(2,443)	323
Cash flows from financing activities:		
Proceeds from exercise of common stock warrants	20	325
Proceeds from issuance of debt	1,000	-
Net cash provided by financing activities	1,020	325
Net (decrease) increase in cash and cash equivalents	(1,423)	648
Cash and cash equivalents at beginning of year	1,517	869
Cash and cash equivalents at end of year	$ 94	$ 1,517
Supplemental disclosure of non-cash financing activities:		
Note payable to shareholders redemption liability	$ 275	$ -

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

Contact:

John McManus
President and Chief Executive Officer
Aeolus Pharmaceuticals, Inc.

1-(949) 481-9825

Source: Aeolus Pharmaceuticals