



December 11, 2007

To our Shareholders:

The purpose of this letter is to summarize our progress to date in 2007 and to outline our plan to finance operations over the next 24 months. During the course of the year, we significantly advanced our mission to establish the industry for medical devices capable of treating infectious disease. Specifically, we initiated and progressed seven collaborations with researchers representing both government and non-government health organizations. Without having to grant either rights or ownership of our Hemopurifier®, we successfully leveraged these collaborations to further demonstrate the utility of the Hemopurifer® as a potential treatment countermeasure against bioterror, pandemic, and chronic infectious disease threats.

Additionally, pre-clinical studies led by Dr. Douglas Taylor at the University of Louisville documented the capability of the Hemopurifier® to rapidly capture exosomes, particles released by cancerous tumors that destroy immune cells in individuals fighting cancer. As a result, a new potential market opportunity for our Hemopurifer® has emerged that includes the use of our device as an adjunct therapy in cancer care. Though still in early stages of study, this development greatly expands our initial vision of the potential applications of our technology. Needless to say, we are extremely excited about the potential cancer-treatment applications and will be working aggressively to further these studies.

Parallel to our collaborative efforts in 2007, we also expanded our intellectual property estate, initiated our second human study at the Fortis Hospital in Delhi, India, and submitted an Investigational Device Exemption (IDE) to the United States Food and Drug Administration (FDA). The IDE requested permission to initiate human studies necessary to advance the Hemopurifier® as a device targeting the single-use removal of bioterror and pandemic threats from the circulation of infected individuals. We are pleased with our dialog with the FDA, and

anticipate being able to provide further clarification on our IDE status in January.

I am extremely proud of the milestones we have posted thus far in 2007, especially in light of our tight financial controls. Through November 30, we achieved the progress referenced above on an approximate monthly burn rate of \$165,000. To my knowledge, there are no other development stage companies that have made such significant and tangible progress with a similar production-per-dollar expenditure over the course of a year.

Thus far, we have been able to fund our capital requirements through small equity and note financings. In the past week, the gross proceeds from such investments exceeded \$650,000. Based on historical burn rates and anticipated needs moving forward, we believe that we can meet our base financial requirements for the coming 24-month period by utilizing the \$8.4 million Common Stock Purchase Agreement executed earlier in the year with Fusion Capital Fund II, LLC, a Chicago-based institutional investment firm and long-term investor in Aethlon Medical. Under the agreement Fusion has purchased \$400,000 of our common stock to date. In the coming month, we plan to file a registration statement with the Securities and Exchange Commission (SEC) that gives us the option to sell up to the remaining \$8 million under the agreement.

Once the SEC deems the agreement effective, we receive the right to sell shares to Fusion in amounts between \$32,000 and \$1,000,000 dependent on certain conditions. The purchase price of shares we sell Fusion will be based primarily on the market price at the time of a sale without any fixed discount. We also retain control of the timing and determine the amount of any share sales to Fusion. Additionally, the agreement permits us to execute other financing transactions as necessary. In the near term, the execution of another financing would likely be driven by an acquisition that would accelerate our ability to graduate from the OTCBB marketplace, a goal that would elevate our status as a publicly traded company. A more detailed description of the Fusion transaction is referenced in a Form 8-K filing submitted to the SEC on March 22nd of this year.

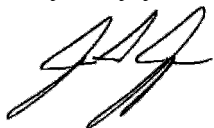
As we continue to document pre-clinical and clinical evidence that supports the commercialization of our technology, we need to refine and cautiously expand our management team. In this regard, I want to thank Jim Dorst, a colleague and friend of many years who for the last two years, effectively served as our CFO. Jim has resigned his position, and will continue as

a part-time advisor to our organization. In the coming weeks, we will appoint a new Senior VP of Finance who will bring significant public company CFO experience, a proven track record in corporate financings, as well as experience managing Sarbanes-Oxley section 404 internal controls. Though initially this individual will be with us on a part-time basis, as soon as our needs warrant, we will consider transitioning the post to a full-time CFO. As our team is primarily comprised of scientific research professionals, we believe a concerted effort to increase the visibility of our organization on Wall Street and within the medical community would be timely and beneficial to our cause. With this in mind, we also plan to establish an in-house Director of Investor Relations position in early January.

In closing, 2007 has been a breakout year for our organization. We established a deep pipeline of infectious disease programs, continued the advancement of our clinical efforts, protected and expanded our intellectual property portfolio, and validated the potential use of our Hemopurifier® in cancer care. As a result, I feel our vision for treating infectious disease and cancer is closer to becoming reality.

On behalf of our team at Aethlon Medical, I want to thank you for your continued support.

Very truly yours,

A handwritten signature in black ink, appearing to read 'J. Joyce', with a stylized, cursive flourish at the end.

James A. Joyce
Chairman, CEO

Certain of the statements herein may be forward-looking and involve risks and uncertainties. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Aethlon Medical, Inc to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Such potential risks and uncertainties include, without limitation, the Company's ability to raise capital when needed, the Company's ability to complete the development of its planned products, the ability of the Company to obtain FDA and other regulatory approvals permitting the sale of its products, the Company's ability to manufacture its products and provide its services, the impact of government regulations, patent protection on the Company's proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors. In such instances,

actual results could differ materially as a result of a variety of factors, including the risks associated with the effect of changing economic conditions and other risk factors detailed in the Company's Securities and Exchange Commission filings.