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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to_____

COMMISSION FILE NUMBER 001-37487

# AETHLON MEDICAL, INC.

(Exact name of registrant as specified in its charter)

| NEVADA | 13-3632859 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

9635 GRANITE RIDGE DRIVE, SUITE 100, SAN DIEGO, CA 92123
(Address of principal executive offices) (Zip Code)

(858) 459-7800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock | AEMD | The Nasdaq Capital Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐
Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of February 7, 2020, the registrant had outstanding 9,256,249 shares of common stock, $0.001 par value.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

| | December 31, 2019 (Unaudited) | March 31, 2019 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash | $ 4,058,653 | $ 3,828,074 |
| Accounts receivable | 206,729 | – |
| Prepaid expenses and other current assets | 40,351 | 210,042 |
| Total current assets | 4,305,733 | 4,038,116 |
| | | |
| Property and equipment, net | 144,966 | 6,021 |
| Right-of-use lease asset | 159,838 | – |
| Patents, net | 59,795 | 66,668 |
| Deposits | 12,159 | 12,159 |
| Total assets | $ 4,682,491 | $ 4,122,964 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| | | |
| Current liabilities | | |
| Accounts payable | $ 327,408 | $ 131,931 |
| Due to related parties | 111,212 | 83,654 |
| Convertible notes payable, net | – | 962,301 |
| Deferred revenue | 100,000 | – |
| Lease liability, current portion | 96,712 | – |
| Other current liabilities | 175,282 | 646,000 |
| Total current liabilities | 810,614 | 1,823,886 |
| | | |
| Lease liability, less current portion | 67,695 | – |
| Total liabilities | 878,309 | 1,823,886 |
| | | |
| Commitments and Contingencies (Note 13) | | |
| | | |
| Stockholders' Equity | | |
| Common stock, par value $0.001 per share; 30,000,000 shares authorized; 4,779,614 and 1,266,979 shares issued and outstanding as of December 31, 2019 and March 31, 2019, respectively | 4,781 | 1,267 |
| Additional paid-in capital | 114,172,714 | 108,076,275 |
| Accumulated deficit | (110,243,475) | (105,652,433) |
| Total Aethlon Medical, Inc. stockholders' equity before noncontrolling interests | 3,934,020 | 2,425,109 |
| | | |
| Noncontrolling interests | (129,838) | (126,031) |
| | | |
| Total stockholders' equity | 3,804,182 | 2,299,078 |
| | | |
| Total liabilities and stockholders' equity | $ 4,682,491 | $ 4,122,964 |

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Month Periods Ended December 31, 2019 and 2018
(Unaudited)

| | Three Months Ended December 31, 2019 | Three Months Ended December 31, 2018 | Nine Months Ended December 31, 2019 | Nine Months Ended December 31, 2018 |
|---|---|---|---|---|
| REVENUES | | | | |
| Government contract revenue | $ 413,458 | $ – | $ 443,458 | $ 149,625 |
| OPERATING EXPENSES | | | | |
| Professional fees | 609,933 | 587,192 | 1,979,848 | 1,449,218 |
| Payroll and related expenses | 406,421 | 1,161,531 | 1,609,942 | 2,426,828 |
| General and administrative | 273,510 | 215,150 | 998,465 | 681,678 |
| Total operating expenses | 1,289,864 | 1,963,873 | 4,588,255 | 4,557,724 |
| OPERATING LOSS | (876,406) | (1,963,873) | (4,144,797) | (4,408,099) |
| OTHER (INCOME) EXPENSE | | | | |
| Interest and other debt expenses | 126 | 55,107 | 54,232 | 165,317 |
| (Gain) on share for warrant exchanges | (55,593) | – | (51,190) | – |
| Loss on debt extinguishment | – | – | 447,011 | – |
| Total other (income) expense | (55,467) | 55,107 | 450,053 | 165,317 |
| NET LOSS | (820,939) | (2,018,980) | (4,594,850) | (4,573,416) |
| LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | (1,358) | (5,940) | (3,808) | (20,803) |
| NET LOSS ATTRIBUTABLE TO AETHLON MEDICAL, INC. | $ (819,581) | $ (2,013,040) | $ (4,591,042) | $ (4,552,613) |
| BASIC AND DILUTED LOSS PER COMMON SHARE | $ (0.28) | $ (1.67) | $ (2.52) | $ (3.82) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED | 2,887,883 | 1,203,344 | 1,821,557 | 1,191,012 |

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three and Nine Months Ended December 31, 2019 and 2018
(Unaudited)

| | ATTRIBUTABLE TO AETHLON MEDICAL, INC. | | | | | |
|---|---|---|---|---|---|---|
| | COMMON STOCK | | ADDITIONAL PAID IN | ACCUMULATED | NON-CONTROLLING | TOTAL |
| | SHARES | AMOUNT | CAPITAL | DEFICIT | INTERESTS | EQUITY |
| BALANCE - MARCH 31, 2019 | 1,266,979 | $ 1,267 | $ 108,076,275 | $ (105,652,433) | $ (126,031) | $ 2,299,078 |
| Issuances of common stock for cash under at the market program | 3,087 | 3 | 36,619 | – | – | 36,622 |
| Loss on debt extinguishment | – | – | 447,011 | – | – | 447,011 |
| Issuance of common shares upon vesting of restricted stock units | 3,539 | 4 | (23,775) | – | – | (23,771) |
| Stock-based compensation expense | – | – | 326,536 | – | – | 326,536 |
| Net loss | – | – | – | (2,066,424) | (860) | (2,067,284) |
| BALANCE - JUNE 30, 2019 | 1,273,605 | $ 1,274 | $ 108,862,666 | $ (107,718,857) | (126,891) | $ 1,018,192 |
| Issuances of common stock for cash under the market program | 59,340 | 60 | 386,552 | – | – | 386,612 |
| Issuance of common shares upon vesting of restricted stock units | 3,236 | 4 | (8,448) | – | – | (8,444) |
| Issuances of common stock upon warrant exchanges | 1,078 | 1 | 4,402 | – | – | 4,403 |
| Stock-based compensation expense | – | – | 326,536 | – | – | 326,536 |
| Net loss | – | – | – | (1,705,037) | (1,589) | (1,706,626) |
| BALANCE - SEPTEMBER 30, 2019 | 1,337,259 | $ 1,339 | $ 109,571,708 | $ (109,423,894) | $ (128,480) | $ 20,673 |
| Proceeds from the issuance of common stock, net | 3,432,056 | 3,432 | 4,560,802 | – | – | 4,564,234 |
| Issuance of common shares upon vesting of restricted stock units | 3,439 | 3 | (6,772) | – | – | (6,769) |
| Issuances of common stock upon warrant exchanges | 2,914 | 3 | (55,596) | – | – | (55,593) |
| Par value of DTC roundup of shares following reverse split | 3,946 | 4 | (4) | – | – | – |
| Stock-based compensation expense | – | – | 102,576 | – | – | 102,576 |
| Net loss | – | – | – | (819,581) | (1,358) | (820,939) |
| BALANCE - DECEMBER 31, 2019 | 4,779,614 | $ 4,781 | $ 114,172,714 | $ (110,243,475) | $ (129,838) | $ 3,804,182 |

Continued on following page

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three and Nine Months Ended December 31, 2019 and 2018, Continued
(Unaudited)

| | ATTRIBUTABLE TO AETHLON MEDICAL, INC. | | | | | |
|---|---|---|---|---|---|---|
| | COMMON STOCK | | ADDITIONAL PAID IN | ACCUMULATED | NON-CONTROLLING | TOTAL |
| | SHARES | AMOUNT | CAPITAL | DEFICIT | INTERESTS | EQUITY |
| BALANCE - MARCH 31, 2018 | 1,182,634 | $ 1,183 | $ 105,590,571 | $ (99,457,714) | $ (101,246) | $ 6,032,794 |
| Issuance of common shares upon vesting of restricted stock units | 1,446 | 1 | (32,738) | – | – | (32,737) |
| Stock-based compensation expense | – | – | 263,162 | – | – | 263,162 |
| Net loss | – | – | – | (1,146,228) | (6,148) | (1,152,376) |
| BALANCE - JUNE 30, 2018 | 1,184,080 | $ 1,184 | $ 105,820,995 | $ (100,603,942) | $ (107,394) | $ 5,110,843 |
| Issuance of common shares upon vesting of restricted stock units | 3,897 | 4 | (53,036) | – | – | (53,032) |
| Common stock issued for services | 1,000 | 1 | 19,349 | – | – | 19,350 |
| Stock-based compensation expense | – | – | 336,496 | – | – | 336,496 |
| Net loss | – | – | – | (1,393,345) | (8,715) | (1,402,060) |
| BALANCE - SEPTEMBER 30, 2018 | 1,188,977 | $ 1,189 | $ 106,123,804 | $ (101,997,287) | $ (116,109) | $ 4,011,597 |
| Proceeds from the issuance of common stock, net | 45,622 | 45 | 883,452 | – | – | 883,497 |
| Issuance of common shares upon vesting of restricted stock units | 3,889 | 4 | (50,943) | – | – | (50,939) |
| Stock-based compensation expense | – | – | 344,854 | – | – | 344,854 |
| Net loss | – | – | – | (2,013,040) | (5,940) | (2,018,980) |
| BALANCE - DECEMBER 31, 2018 | 1,238,488 | $ 1,238 | $ 107,301,167 | $ (104,010,327) | $ (122,049) | $ 3,170,029 |

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended December 31, 2019 and 2018
(Unaudited)

| | Nine Months Ended December 31, 2019 | Nine Months Ended December 31, 2018 |
|---|---|---|
| Cash flows used in operating activities: | | |
| Net loss | $ (4,594,850) | $ (4,573,416) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 15,992 | 24,756 |
| Stock based compensation | 755,648 | 944,512 |
| Loss on debt extinguishment | 447,011 | – |
| Gain on share for warrant exchanges | (51,190) | – |
| Amortization of debt discount | 30,287 | 90,861 |
| Common stock issued for services | – | 19,350 |
| Non-cash rent expense | 68,856 | – |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (206,729) | 74,813 |
| Prepaid expenses and other current assets | 169,691 | 152,411 |
| Accounts payable and other current liabilities | (271,533) | 391,369 |
| Deferred revenue | 100,000 | – |
| Lease liability | (67,994) | – |
| Due to related parties | 27,558 | (20,616) |
| Net cash used in operating activities | (3,577,253) | (2,895,960) |
| | | |
| Cash flows used in investing activities: | | |
| Purchases of property and equipment | (148,064) | – |
| Net cash used in investing activities | (148,064) | – |
| | | |
| Cash flows provided by (used in) financing activities: | | |
| Proceeds from the issuance of common stock, net | 4,987,468 | 883,500 |
| Principal payments on convertible notes | (992,591) | – |
| Tax withholding payments or tax equivalent payments for net share settlement of restricted stock units | (38,981) | (136,709) |
| Net provided by financing activities | 3,955,896 | 746,791 |
| | | |
| Net increase (decrease) in cash | 230,579 | (2,149,169) |
| | | |
| Cash at beginning of period | 3,828,074 | 6,974,070 |
| | | |
| Cash at end of period | $ 4,058,653 | $ 4,824,901 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| | | |
| Cash paid during the period for: | | |
| | | |
| Interest | $ 83,332 | $ 95,388 |
| | | |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Initial recognition of right-of-use lease asset and lease liability | $ 228,694 | $ – |
| Par value of shares issued for vested restricted stock units | $ 10 | $ 138 |
| Par value of shares issued for round up following reverse split | $ 4 | $ – |

See accompanying notes.

## 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

### ORGANIZATION

Aethlon Medical, Inc. and its subsidiary (collectively, "Aethlon", the "Company", "we" or "us"), is a medical device technology company focused on developing products to diagnose and treat life and organ threatening diseases. The Aethlon Hemopurifier® is a clinical-stage immunotherapeutic device designed to combat cancer and life-threatening viral infections. In cancer, the Hemopurifier is designed to deplete the presence of circulating tumor-derived exosomes that promote immune suppression, seed the spread of metastasis and inhibit the benefit of leading cancer therapies. The U.S. Food and Drug Administration, or FDA, has designated the Hemopurifier as a "Breakthrough Device" for two independent indications:

- the treatment of individuals with advanced or metastatic cancer who are either unresponsive to or intolerant of standard of care therapy, and with cancer types in which exosomes have been shown to participate in the development or severity of the disease; and

- the treatment of life-threatening viruses that are not addressed with approved therapies.

We believe the Hemopurifier can be a substantial advance in the treatment of patients with advanced and metastatic cancer through the clearance of exosomes that promote the growth and spread of tumors through multiple mechanisms. We are currently preparing for the initiation of clinical trials in patients with advanced and metastatic cancers. We are initially focused on the treatment of solid tumors, including head and neck cancer, gastrointestinal cancers and other cancers.

On October 4, 2019, the FDA approved our Investigational Device Exemption, or IDE, application to initiate an Early Feasibility Study, or EFS, of the Hemopurifier in patients with head and neck cancer in combination with standard of care pembrolizumab (Keytruda). The primary endpoint for the EFS, which will enroll 10-12 subjects at a single center, will be safety, with secondary endpoints including measures of exosome clearance and characterization, as well as response and survival rates.

We also believe the Hemopurifier can be a part of the broad-spectrum treatment of life-threatening highly glycosylated, or carbohydrate coated, viruses that are not addressed with an already approved treatment. In small-scale or early feasibility human studies, the Hemopurifier has been used to treat individuals infected with HIV, hepatitis-C, and Ebola. Additionally, *in vitro,* the Hemopurifier has been demonstrated to capture Zika virus, Lassa virus, MERS-CoV, cytomegalovirus, Epstein-Barr virus, Herpes simplex virus, Chikungunya virus, Dengue virus, West Nile virus, smallpox-related viruses, H1N1 swine flu virus, H5N1 bird flu virus, and the reconstructed Spanish flu virus of 1918. In several cases, these studies were conducted in collaboration with leading government or non-government research institutes.

We are also the majority owner of Exosome Sciences, Inc., or ESI, a company focused on the discovery of exosomal biomarkers to diagnose and monitor life-threatening diseases. Included among ESI's activities is the advancement of a TauSome™ biomarker candidate to diagnose chronic traumatic encephalopathy, or CTE, in the living. ESI previously documented TauSome levels in former NFL players to be nine times higher than same age-group control subjects. Through ESI, we are also developing exosome based biomarkers in patients with, or at risk for, a number of cancers. We consolidate ESI's activities in our consolidated financial statements.

We also have a cross-licensing and development agreement with SeaStar Medical, Inc., focused on co-development of our Hemopurifier cartridge with SeaStar's proprietary cartridges and the development of a closed system for the Hemopurifier using the SeaStar pump and cassettes. This collaboration may allow the deployment of the Hemopurifier into settings that lack dialysis infrastructure, such as chemotherapy infusion centers and field operations for life threatening viral epidemics.

Successful outcomes of human trials will also be required by the regulatory agencies of certain foreign countries where we plan to sell the Hemopurifier. Some of our patents may expire before FDA approval or approval in a foreign country, if any, is obtained. However, we believe that certain patent applications and/or other patents issued more recently will help protect the proprietary nature of the Hemopurifier treatment technology.

Our executive offices are located at 9635 Granite Ridge Drive, Suite 100, San Diego, California 92123. Our telephone number is (858) 459-7800. Our website address is www.aethlonmedical.com.

Our common stock is listed on the Nasdaq Capital Market under the symbol "AEMD."

REVERSE STOCK SPLIT

On October 14, 2019, the Company completed a 1-for-15 reverse stock split. Accordingly, 15 shares of outstanding common stock then held by stockholders were combined into one share of common stock. Any fractional shares resulting from the reverse split were rounded up to the next whole share. Authorized common stock remained at 30,000,000 shares (see Note 14). The accompanying unaudited condensed consolidated financial statements and accompanying notes have been retroactively revised to reflect such reverse stock split as if it had occurred on April 1, 2018. All shares and per share amounts have been revised accordingly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the nine months ended December 31, 2019, there were no changes to our significant accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, except as described below.

Leases

At lease commencement, the Company records a lease liability based on the present value of lease payments over the expected lease term. The Company calculates the present value of lease payments using the discount rate implicit in the lease, unless that rate cannot be readily determined. In that case, the Company uses its incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow on a collateralized basis an amount equal to the lease payments over the expected lease term. The Company records a corresponding right-of-use lease asset based on the lease liability, adjusted for any lease incentives received and any initial direct costs paid to the lessor prior to the lease commencement date.

After lease commencement, the Company measures its leases as follows: (i) the lease liability based on the present value of the remaining lease payments using the discount rate determined at lease commencement; and (ii) the right-of-use lease asset based on the remeasured lease liability, adjusted for any unamortized lease incentives received, any unamortized initial direct costs and the cumulative difference between rent expense and amounts paid under the lease agreement. Rent expense is recorded on a straight-line basis over the expected lease term (See Note 4).

Basis of Presentation and Use of Estimates

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 8 of the Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended March 31, 2019, included in the Company's Annual Report on Form 10-K filed with the SEC on July 1, 2019. The accompanying unaudited condensed consolidated financial statements include the accounts of Aethlon Medical, Inc. and its majority-owned subsidiary. All significant inter-company transactions and balances have been eliminated in consolidation. The unaudited condensed consolidated financial statements contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the condensed consolidated financial statements as of and for the three and nine months ended December 31, 2019, and the condensed consolidated statement of cash flows for the nine months ended December 31, 2019. Estimates were made relating to useful lives of fixed assets, impairment of assets, share-based compensation expense and accruals for clinical trial and research and development expenses. Actual results could differ materially from those estimates. The accompanying condensed consolidated balance sheet at March 31, 2019 has been derived from the audited consolidated balance sheet at March 31, 2019, contained in the above referenced 10-K. The results of operations for the three and nine months ended December 31, 2019 are not necessarily indicative of the results to be expected for the full year or any future interim periods.

Reclassifications

Certain prior year balances within the unaudited condensed consolidated financial statements have been reclassified to conform to the current year presentation.

LIQUIDITY AND GOING CONCERN

Management expects existing cash as of December 31, 2019, together with cash raised in January 2020 to be sufficient to fund the Company's operations for at least twelve months from the issuance date of these condensed consolidated financial statements.

2. LOSS PER COMMON SHARE

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period of computation. The weighted average number of common shares outstanding for the three and nine months ended December 31, 2019 and 2018 included common shares underlying 215 and 3,075 vested restricted stock units, respectively. Diluted loss per share is computed similar to basic loss per share, except that the denominator is increased to include the number of additional dilutive common shares that would have been outstanding if potential common shares had been issued, if such additional common shares were dilutive. Since we had net losses for all periods presented, basic and diluted loss per share are the same, and additional potential common shares have been excluded, as their effect would be antidilutive.

As of December 31, 2019 and 2018, an aggregate of 3,779,301 and 459,068 potential common shares, respectively, consisting of shares underlying outstanding stock options, warrants and unvested restricted stock units, were excluded, as their inclusion would be antidilutive.

3. RESEARCH AND DEVELOPMENT EXPENSES

Our research and development costs are expensed as incurred. We incurred research and development expenses during the three and nine month periods ended December 31, 2019 and 2018, which are included in various operating expense line items in the accompanying condensed consolidated statements of operations. Our research and development expenses in those periods were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Three months ended | $ 218,571 | $ 243,843 |
| Nine months ended | $ 692,022 | $ 655,760 |

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company adopted ASU Topic 842 on April 1, 2019 utilizing the alternative transition method allowed for under this guidance. As a result, the Company recorded lease liabilities and right-of-use lease assets of $228,694 on its balance sheet as of April 1, 2019. The lease liabilities represent the present value of the remaining lease payments of the Company's corporate headquarters lease (see Note 13), discounted using the Company's incremental borrowing rate as of April 1, 2019. The corresponding right-of-use lease assets are recorded based on the lease liabilities and the cumulative difference between rent expense and amounts paid under its corporate headquarters lease. The Company also elected the short-term lease recognition exemption for its laboratory lease. For the laboratory lease that qualified as short-term, the Company did not recognize ROU assets or lease liabilities at adoption. The adoption of ASU 2016-02 did not have a material impact on either the statement of operations or statement of cash flows for the nine months ended December 31, 2019.

Topic 842 also allows lessees and lessors to elect certain practical expedients. The Company elected the following practical expedients:

- Transitional practical expedients, which must be elected as a package and applied consistently to all of the Company's leases:
  - The Company need not reassess whether any expired or existing contracts are or contain leases.
  - The Company need not reassess the lease classification for any expired or existing leases (that is, all existing leases that were classified as operating leases in accordance with the previous guidance will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with the previous guidance will be classified as finance leases).
  - The Company need not reassess initial direct costs for any existing leases.
- Hindsight practical expedient. The Company elected the hindsight practical expedient in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the Company's right-of-use assets.

5. CONVERTIBLE NOTES PAYABLE, NET

In July 2019, we paid off our Convertible Notes Payable. We paid the remaining principal balance of $892,591 and accrued interest of $11,352. As a result, we did not incur any interest expense related to the Convertible Notes in the three months ended December 31, 2019.

For the nine months ended December 31, 2019, we recorded interest expense of $23,759 related to the contractual interest rates of our Convertible Notes and interest expense of $30,287 related to the amortization of the note discount for a total interest expense of $54,046 related to our Convertible Notes.

Convertible Notes Payable, Net consisted of the following at March 31, 2019:

| | Principal | Unamortized Discount | Net Amount | Accrued Interest |
|---|---|---|---|---|
| Convertible Notes Payable, Net: | | | | |
| November 2014 10% Convertible Notes (due July 1, 2019) | $ 612,811 | $ (18,701) | $ 594,110 | $ 37,309 |
| December 2016 10% Convertible Notes (due July 1, 2019) | 379,780 | (11,589) | 368,191 | 22,264 |
| Total Convertible Notes Payable, Net | $ 992,591 | $ (30,290) | $ 962,301 | $ 59,573 |

During the nine months ended December 31, 2018, we recorded interest expense of $74,445 related to the contractual interest rates of our Convertible Notes and interest expense of $90,861 related to the amortization of the note discount for a total interest expense of $165,306 related to our Convertible Notes in the nine months ended December 31, 2018.

6. EQUITY TRANSACTIONS IN THE NINE MONTHS ENDED DECEMBER 31, 2019

**December 2019 Public Offering**

On December 13, 2019, we entered into an underwriting agreement with H.C. Wainwright and Co., as representative of the several underwriters named therein, relating to the public offering, issuance and sale of 3,333,334 shares of common stock (which includes pre-funded warrants to purchase shares of common stock in lieu thereof), and common warrants to purchase up to an aggregate of 3,333,334 shares of common stock at a public offering price of $1.50 per share (the "December 2019 Public Offering"). Each share of common stock (or pre-funded warrant in lieu thereof) was sold together with a common warrant to purchase one share of common stock. The common warrants have an exercise price of $1.50 per share, were immediately exercisable, and will expire five years from the date of issuance. The offering closed on December 17, 2019.

The gross proceeds of the December 2019 Public Offering were approximately $5 million, prior to deducting underwriting discounts and commissions and estimated offering expenses and excluding the exercise of any common warrants and the underwriter's option to purchase additional securities. The net proceeds from the December 2019 Public Offering were $4,091,437. We intend to use approximately $700,000 of the net proceeds from this offering for the currently planned clinical trials for the Hemopurifier® over the next 12 months, with the remainder for working capital and other general corporate purposes.

Subsequent to the completion of the December 2019 Public Offering and prior to December 31, 2019, all of the holders of pre-funded warrants exercised their pre-funded warrants in full.

In the event of a Fundamental Transaction (a transfer of ownership of the Company as defined in the common warrants issued in the December 2019 Public Offering) within our control, the holders of the unexercised common stock warrants exercisable for $1.50 per share, are entitled to receive cash consideration equal to a Black-Scholes valuation, as defined in the warrant. If such Fundamental Transaction is not within our control, the warrant holders would only be entitled to receive the same form of consideration (and in the same proportion) as the holders of our common stock, hence these warrants are classified as a component of permanent equity.

**Common Stock Sales Agreement with H.C. Wainwright**

On June 28, 2016, we entered into a Common Stock Sales Agreement, or the Agreement, with H.C. Wainwright & Co., LLC, or H.C. Wainwright, which established an at-the-market equity program pursuant to which we may offer and sell shares of our common stock from time to time as set forth in the Agreement. The Agreement provides for the sale of shares, or the Shares, of our common stock having an aggregate offering price of up to $12,500,000.

On August 6, 2019, we executed Amendment No. 1 to the Agreement with H.C. Wainwright, effective as of August 5, 2019. The amendment provides that references in the Agreement to the registration statement shall refer to the registration statement on Form S-3 (File No. 333-231397), originally filed with the Securities and Exchange Commission on May 10, 2019, declared effective by the Securities and Exchange Commission on August 1, 2019. We terminated the ATM Prospectus Supplement and suspended any sales under the Sales Agreement on January 17, 2020, but the Sales Agreement remains in full force and effect.

Subject to the terms and conditions set forth in the Agreement, H.C. Wainwright agreed to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the Shares from time to time, based upon our instructions. We have provided H.C. Wainwright with customary indemnification rights, and H.C. Wainwright is entitled to a commission at a fixed rate equal to three percent (3.0%) of the gross proceeds per Share sold. In addition, we agreed to pay certain expenses incurred by H.C. Wainwright in connection with the Agreement, including up to $50,000 of the fees and disbursements of their counsel. The Agreement will terminate upon the sale of all of the Shares under the Agreement, unless terminated earlier by either party as permitted under the Agreement.

Sales of the Shares, if any, under the Agreement will be made in transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act, including sales made by means of ordinary brokers’ transactions, including on the Nasdaq Capital Market, at market prices or as otherwise agreed with H.C. Wainwright. We have no obligation to sell any of the Shares, and, at any time, we may suspend offers under the Agreement or terminate the Agreement.

In the nine months ended December 31, 2019, we raised aggregate net proceeds of $896,031 (net of $27,896 in commissions to H.C. Wainwright and $5,929 in other offering expenses) under this Agreement through the sale of 161,149 shares at an average price of $5.56 per share of net proceeds.

**Restricted Stock Unit Grants**

Our Board of Directors established the 2012 Non-Employee Directors Compensation Program, as amended through August 2016, or the Non-Employee Directors Plan, pursuant to which, in addition to cash compensation, directors of the Company who are not also employees may be granted stock-based compensation in the form of restricted stock units, or RSU’s. The RSUs represent the right to be issued on a future date shares of our common stock for RSUs which have then vested.

In April 2019, pursuant to the Non-Employee Directors Plan, we issued RSUs with a value of $35,000 to each of our non-employee directors, as the stock-based compensation element of their overall directors' compensation, for the fiscal year ending March 31, 2020. Those grants were based on the closing price of our common stock on the one business day prior to the grant date, $14.25 per share. Therefore, 2,456 RSUs were issued to each of our five non-employee directors, for a total of 12,280 RSUs. All of the RSUs are subject to vesting in equal quarterly installments on June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020.

In April 2019, 2,859 vested RSUs held by our current and former executive officers were exchanged for the same number of shares of our common stock. As these executives elected to net settle a portion of their vested RSUs in exchange for the Company paying the related withholding taxes of $18,318 on the share issuance, 1,512 of the vested RSUs were cancelled and we issued a net 1,347 shares to the executives and former executive.

In June 2019, 3,075 vested RSUs held by our non-employee directors were exchanged into the same number of shares of our common stock. Four of our five non-employee directors elected to return 40% of their vested RSUs in exchange for cash, in order to pay their withholding taxes on the share issuances, resulting in 984 of the vested RSUs being cancelled in exchange for $5,453 in aggregate cash proceeds to those independent directors.

In July 2019, 2,861 vested RSUs held by our current and former executive officers were exchanged for the same number of shares of our common stock. As these executives elected to net settle a portion of their vested RSUs in exchange for the Company paying the related withholding taxes of $4,979 on the share issuance, 1,510 of the vested RSUs were cancelled and we issued a net 1,351 shares to the executives and former executive.

In September 2019, 3,075 vested RSUs held by our non-employee directors were exchanged into the same number of shares of our common stock. Four of our five non-employee directors elected to return 40% of their vested RSUs in exchange for cash, in order to pay their withholding taxes on the share issuances, resulting in 984 of the vested RSUs being cancelled in exchange for $3,463 in aggregate cash proceeds to those independent directors.

In October 2019, 2,859 vested RSUs held by current and former executive officers were exchanged for the same number of shares of our common stock. As these executives elected to net settle a portion of their vested RSUs in exchange for the Company paying the related withholding taxes of $5,938 on the share issuance, 1,511 of the vested RSUs were cancelled and we issued a net 1,348 shares to the current and former executives.

In December 2019, 3,075 vested RSUs held by our non-employee directors were exchanged into the same number of shares of our common stock. Four of our five non-employee directors elected to return 40% of their vested RSUs in exchange for cash, in order to pay their withholding taxes on the share issuances, resulting in 984 of the vested RSUs being cancelled in exchange for $3,463 in aggregate cash proceeds to those independent directors.

RSUs outstanding that have vested as of, and are expected to vest subsequent to, December 31, 2019 are as follows:

| | Number of RSUs |
|---|---|
| Vested | 215 |
| Expected to vest | 3,075 |
| Total | 3,290 |

**Common Stock for Warrant Cancellation**

During the nine months ended December 31, 2019, we agreed with seven accredited investors to issue an aggregate of 3,992 shares of our common stock to these investors in exchange for the cancellation of outstanding warrants then held by the investors to purchase an aggregate of 39,900 shares of our common stock. We measured the fair value of the shares issued and the fair value of the warrants exchanged for those shares and recorded a gain of $51,190 on those exchanges based on the changes in fair value between the instruments exchanged.

7. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2019, we accrued unpaid fees of $69,750 owed to our non-employee directors as of December 31, 2019. For the nine months ended December 31, 2019, we recorded $209,250 in fees to our non-employee directors.

Amounts due to related parties were comprised of the following items:

| | December 31, 2019 | March 31, 2019 |
|---|---|---|
| Accrued Board fees | $ 69,750 | $ 69,750 |
| Accrued vacation to all employees | 41,462 | 13,904 |
| Total due to related parties | $ 111,212 | $ 83,654 |

8. OTHER CURRENT LIABILITIES

Other current liabilities were comprised of the following items:

| | December 31, 2019 | March 31, 2019 |
|---|---|---|
| Accrued interest | $ – | $ 59,573 |
| Accrued separation expenses for former executives | – | 355,189 |
| Accrued professional fees | 175,282 | 231,238 |
| Total other current liabilities | $ 175,282 | $ 646,000 |

9. STOCK COMPENSATION

The following tables summarize share-based compensation expenses relating to RSUs and stock options and the effect on basic and diluted loss per common share during the three and nine month periods ended December 31, 2019 and 2018:

| | Three Months Ended December 31, 2019 | Three Months Ended December 31, 2018 | Nine Months Ended December 31, 2019 | Nine Months Ended December 31, 2018 |
|---|---|---|---|---|
| Vesting of stock options and restricted stock units | $ 102,576 | $ 344,854 | $ 755,648 | $ 944,512 |
| Total stock-based compensation expense | $ 102,576 | $ 344,854 | $ 755,648 | $ 944,512 |
| | | | | |
| Weighted average number of common shares outstanding – basic and diluted | 2,887,883 | 1,203,344 | 1,821,557 | 1,191,012 |
| | | | | |
| Basic and diluted loss per common share attributable to stock-based compensation expense | $ (0.04) | $ (0.29) | $ (0.41) | $ (0.79) |

All of the stock-based compensation expense recorded during the nine months ended December 31, 2019 and 2018, which totaled $755,648 and $944,512, respectively, is included in payroll and related expense in the accompanying condensed consolidated statements of operations. Stock-based compensation expense recorded during the nine months ended December 31, 2019 and 2018 represented an impact on basic and diluted loss per common share of $(0.41) and $(0.79), respectively.

We review share-based compensation on a quarterly basis for changes to the estimate of expected award forfeitures based on actual forfeiture experience. The cumulative effect of adjusting the forfeiture rate for all expense amortization is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments for the nine months ended December 31, 2019 was insignificant.

**Stock Option Activity**

We did not issue any stock options during the three or nine months ended December 31, 2019.

Options outstanding that have vested as of December 31, 2019 and options that are expected to vest subsequent to December 31, 2019 are as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term in Years |
|---|---|---|---|
| Vested | 22,894 | $ 75.24 | 4.99 |
| Expected to vest | 28,230 | $ 18.89 | 7.99 |
| Total | 51,124 | | |

A summary of stock option activity during the nine months ended December 31, 2019 is presented below:

| | Amount | Range of Exercise Price | Weighted Average Exercise Price |
|---|---|---|---|
| Stock options outstanding at March 31, 2019 | 59,111 | $ 18.75 - 187.50 | $ 56.85 |
| Adjustment for reverse split | 14 | n/a | n/a |
| Exercised | – | $ – | $ – |
| Granted | – | $ – | $ – |
| Cancelled/Expired | (8,001) | $ 75.00 - 142.50 | $ 138.75 |
| Stock options outstanding at December 31, 2019 | 51,124 | $ 18.75 - 187.50 | $ 44.12 |
| Stock options exercisable at December 31, 2019 | 22,894 | $ 25.20 - 187.50 | $ 75.24 |

On December 31, 2019, our stock options had no intrinsic value since the closing price on that date of $0.96 per share was below the weighted average exercise price of our outstanding stock options.

At December 31, 2019, there was approximately $1,418,000 of unrecognized compensation cost related to share-based payments, which is expected to be recognized over a weighted average period of 3.5 years.

10. WARRANTS

During the nine months ended December 31, 2019, we issued pre-funded warrants and common warrants as part of our December 2019 Public Offering (see Footnote 6). All of the pre-funded warrants were fully exercised immediately after the offering. We issued 3,333,334 common warrants in the offering with an exercise price of $1.50 per share. Those common warrants carried a term of five years. We also issued 100,000 warrants to the placement agent in the offering. The placement agent warrants have an exercise price of $1.875 and have a term of five years.

The following outlines the significant weighted average assumptions used to estimate the fair value information presented, with respect to warrants, utilizing the Binomial Lattice option pricing models, issued during the nine months ended December 31, 2019:

| | |
|---|---|
| Risk free interest rate | 1.71% |
| Average expected life | 5 years |
| Expected volatility | 229.6% - 233% |
| Expected dividends | None |

During the nine months ended December 31, 2018, we did not issue any warrants.

During the nine months ended December 31, 2019, we agreed with seven accredited investors to issue an aggregate of 3,992 shares of our common stock to these investors in exchange for the cancellation of outstanding warrants then held by the investors to purchase an aggregate of 39,900 shares of our common stock. We measured the fair value of the shares issued and the fair value of the warrants exchanged for those shares and recorded a gain of $51,190 on those exchanges based on the changes in fair value between the instruments exchanged.

A summary of warrant activity during the nine months ended December 31, 2019 is presented below:

| | Amount | Range of Exercise Price | Weighted Average Exercise Price |
|---|---|---|---|
| Warrants outstanding at March 31, 2019 | 342,992 | $ 16.50 - 180.75 | $ 38.10 |
| Warrants issued | 3,433,334 | $ 1.50 - 1.875 | $ 1.51 |
| Adjustment for reverse split | 73 | n/a | n/a |
| Cancelled/Expired | (51,287) | $ 64.50 - 180.75 | $ 91.88 |
| Warrants outstanding at December 31, 2019 | 3,725,112 | $ 1.50 – 125.25 | $ 3.98 |
| Warrants exercisable at December 31, 2019 | 3,725,112 | $ 1.50 – 125.25 | $ 3.98 |

11. GOVERNMENT CONTRACTS AND RELATED REVENUE RECOGNITION

We have entered into the following three contracts/grants with the National Cancer Institute, or NCI, part of the National Institutes of Health, or NIH, over the past two years:

**Phase 2 Melanoma Cancer Contract**

On September 12, 2019, the NCI awarded to us an SBIR Phase II Award Contract, for NIH/NCI Topic 359, entitled “A Device Prototype for Isolation of Melanoma Exosomes for Diagnostics and Treatment Monitoring”, or the Award Contract. The Award Contract amount is $1,860,561 and runs for the period from September 16, 2019 through September 15, 2021.

The work to be performed pursuant to this Award Contract will focus on melanoma exosomes. This work follows from our completion of a Phase I contract for the Topic 359 solicitation that ran from September 2017 through June 2018 (see Phase 1 Melanoma Cancer Contract below). Following on the Phase I work, the deliverables in the Phase II program will involve the design and testing of a pre-commercial prototype of a more advanced version of the exosome isolation platform.

During the nine months ended December 31, 2019, we recognized $413,458 in government contract revenue under this contract as a result of the work involved completing the first two milestones in the project as reported in the kick-off presentation to the NCI and first quarterly report. The kick-off presentation covered the Company's organization and project status, recent achievements, the status of the field, the status of commercial and academic competitors, where the proposed project was positioned against the state of the art, the IP landscape, a refresher on the proposed technology, the detailed plan for the first budget period of the contract and technical risks and alternative approaches. The first quarterly report covered a summary of technical objectives, a description of activities accomplished in the quarter, an analysis of experimental data, comments regarding the timeliness of performance, and a brief explanation of activities to be pursued in the following quarter.

**Phase 1 Melanoma Cancer Contract**

We entered into a contract with the NIH on September 15, 2017. This award was under the NIH's SBIR program which is designed to fund early stage small businesses that are seeking to commercialize innovative biomedical technologies. The title of the award was SBIR Topic 359 Phase 1 Device Strategy for Selective Isolation of Oncosomes and Non-Malignant Exosomes. The award from NIH was a firm, fixed-price contract with potential total payments to us of $299,250 over the course of nine months.

Fixed price contracts require the achievement of multiple, incremental milestones to receive the full award during each period of the contract. The NIH also had the unilateral right to require us to perform additional work under an option period for an additional fixed amount of $49,800. Under the terms of the contract, we were required to perform certain incremental work toward the achievement of specific milestones against which we invoiced the government for fixed payment amounts.

In the nine months ended December 31, 2018, we performed work under the contract covering the remainder of the technical objectives of the contract Aim 1: To validate the Hemopurifier as a device for capture and recovery of melanoma exosomes from plasma, and Aim 2: To validate a method of melanoma exosome isolation consisting of the Hemopurifier followed by mab-based immunocapture to select out the tumor-derived exosomes from non-malignant exosomes and Aim 3: To evaluate the functional integrity of melanoma exosomes purified by the Hemopurifier and immunocapture isolation steps. As a result, we recognized $149,625 in revenue from NIH during the nine months ended December 31, 2018. The Phase 1 Melanoma Cancer Contract is now completed.

**Breast Cancer Grant**

In September 2018, the NCI awarded us a government grant (number 1R43CA232977-01). The title of this SBIR Phase I grant is "The Hemopurifier Device for Targeted Removal of Breast Cancer Exosomes from the Blood Circulation."

This NCI Phase I grant period originally ran from September 14, 2018 through August 31, 2019. In August 2019, we applied for and received a no cost, twelve month extension on this grant, so the expiration date was extended to August 31, 2020. The total amount of the firm grant is $298,444. The grant calls for two subcontractors to work with us. Those subcontractors are University of Pittsburgh and Massachusetts General Hospital.

During the nine months ended December 31, 2019, we recognized $30,000 in government contract revenue under this grant as a result of the work involved in one of the three technical objectives of the contract (Aim 2. "Elution of a population of breast cancer exosomes from Hemopurifier cartridges that bear the signatures of malignancy based on expression of CSPG4 and HER2, for triple-negative or HER2-overexpressing cancers, respectively"). We also invoiced the NCI an additional $100,000 in the six month period ended September 30, 2019 in order to pay our subcontractors under the contract. As we did not complete any of the technical objectives beyond Aim 2 noted above during the December period, we recorded this $100,000 as deferred revenue as of December 31, 2019.

12. SEGMENTS

We operate our businesses principally through two reportable segments: Aethlon, which represents our therapeutic business activities, and Exosome Sciences, Inc., or ESI, which represents our diagnostic business activities. Our reportable segments have been determined based on the nature of the potential products being developed. We record discrete financial information for ESI and our chief operating decision maker reviews ESI's operating results in order to make decisions about resources to be allocated to the ESI segment and to assess its performance.

Aethlon's revenue is generated primarily from government contracts to date and ESI does not yet have any revenues. We have not included any allocation of corporate overhead to the ESI segment.

The following tables set forth certain information regarding our segments:

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Revenues: | | |
| Aethlon | $ 443,458 | $ 149,625 |
| ESI | – | – |
| Total Revenues | $ 443,458 | $ 149,625 |
| | | |
| Operating Losses: | | |
| Aethlon | $ (4,125,758) | $ (4,304,082) |
| ESI | (19,039) | (104,017) |
| Total Operating Loss | $ (4,144,797) | $ (4,408,099) |
| | | |
| Net Losses: | | |
| Aethlon | $ (4,575,811) | $ (4,469,399) |
| ESI | (19,039) | (104,017) |
| Net Loss Before Non-Controlling Interests | $ (4,594,850) | $ (4,573,416) |
| | | |
| Cash: | | |
| Aethlon | $ 4,058,456 | $ 4,824,225 |
| ESI | 197 | 676 |
| Total Cash | $ 4,058,653 | $ 4,824,901 |
| | | |
| Total Assets: | | |
| Aethlon | $ 4,682,294 | $ 4,950,079 |
| ESI | 197 | 676 |
| Total Assets | $ 4,682,491 | $ 4,950,755 |
| | | |
| Capital Expenditures: | | |
| Aethlon | $ 148,064 | $ – |
| ESI | – | – |
| Capital Expenditures | $ 148,064 | $ – |
| | | |
| Depreciation and Amortization: | | |
| Aethlon | $ 15,992 | $ 24,756 |
| ESI | – | – |
| Total Depreciation and Amortization | $ 15,992 | $ 24,756 |
| | | |
| Interest Expense: | | |
| Aethlon | $ (54,232) | $ (165,317) |
| ESI | – | – |
| Total Interest Expense | $ (54,232) | $ (165,317) |

13. COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations and Commitments" as contained in our Annual Report on Form 10-K for the year ended March 31, 2019, filed by us with the SEC on July 1, 2019.

LEASE COMMITMENTS

We currently lease approximately 2,600 square feet of executive office space at 9635 Granite Ridge Drive, Suite 100, San DiegoCalifornia 92123 under a 39-month gross plus utilities lease that commenced on December 1, 2014 and expires on August 31, 2021 the "Granite Ridge Lease." The current rental rate under the lease extension is $8,265 per month. We believe this leased facility will be satisfactory for our office needs over the term of the lease.

We also rent approximately 1,700 square feet of laboratory space at 11585 Sorrento Valley Road, Suite 109, San Diego, California 92121 at the rate of $4,700 per month on a one-year lease that originally was to expire on November 30, 2019. In October 2019, we entered into a lease extension for an additional twelve months running from December 1, 2019 through November 30, 2020, at the rate of $5,961 per month.

Rent expense, which is included in general and administrative expenses, approximated $44,000 and $42,000 for the three month periods ended December 31, 2019 and 2018, respectively. For the nine month periods ended December 31, 2019 and 2018, rent expense approximated $130,000 and $126,000, respectively.

Future minimum lease payments under the Granite Ridge Lease as of December 31, 2019, are as follows:

| | | |
|---|---|---|
| January 1, 2020 through March 31, 2020 | $ | 24,795 |
| April 1, 2020 through March 31, 2021 | | 102,074 |
| April 1, 2021 through August 31, 2021 | | 43,670 |
| Total future minimum lease payments | | 170,539 |
| Less: discount | | (6,132) |
| Total lease liability | $ | 164,407 |

On April 1, 2019, we recorded a lease liability and ROU lease asset for the Granite Ridge Lease based on the present value of lease payments over the expected remaining lease term of 2.2 years, discounted using our estimated incremental borrowing rate of 4%. For the nine months ended December 31, 2019, reduction of the right-of-use lease asset was $68,856 and reduction of the lease liability was $67,994.

LEGAL MATTERS

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. We are not presently a party to any pending or threatened legal proceedings.

14. SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2019 through the date that the accompanying condensed consolidated financial statements were filed with the SEC for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

**Registered Direct Financing and Private Placement –** On January 16, 2020, we engaged H.C. Wainwright & Co., LLC ("Wainwright") to act as our exclusive placement agent in connection with the private placement and a concurrent registered direct offering (together, the "Offering") of an aggregate of 1,885,378 shares of our common stock at a purchase price per share of $2.00 (the "Shares"), for aggregate gross proceeds to us of approximately $3.77 million, before deducting fees payable to Wainwright and other estimated offering expenses payable by us. We also entered into a securities purchase agreement (the "Purchase Agreement") with certain institutional investors (the "Purchasers"), pursuant to which we agreed to sell and issue to the Purchasers warrants (the "Purchase Warrants") to purchase up to an aggregate of 942,689 shares of our common stock (the "Purchase Warrant Shares"). We agreed to pay Wainwright a cash fee of 6.0% of the aggregate gross proceeds in the Offering, excluding the proceeds, if any, from the exercise of the Purchase Warrants. We also agreed to pay Wainwright an additional 1.0% of the aggregate gross proceeds in the Offering as a management fee and to pay Wainwright for certain expenses in connection with the Offering in an aggregate amount not to exceed $82,900. In addition, Wainwright received placement agent warrants on substantially the same terms as the Purchase Warrants in an amount equal to 3.0% of the aggregate number of Shares sold in the offering, or 56,561 shares of Common Stock, at an exercise price of $2.50 per share and a term expiring on January 17, 2025 (the "Placement Agent Warrants," and the shares of common stock issuable thereunder, the "Placement Agent Warrant Shares").

On January 22, 2020, the Company closed the Offering and issued the Purchase Warrants to the Purchasers. The Purchase Warrants are exercisable immediately at an exercise price of $2.75 per share and will expire five and one-half years from the issuance date.

**Warrant Exercises –** Subsequent to December 31, 2019, investors that participated in the December 2019 Public Offering exercised warrants to purchase an aggregate of 2,591,167 shares of common stock for aggregate cash proceeds to us of $3,888,249 before expenses.

**Restricted Stock Unit ("RSU") Issuance** – In January 2020, 215 RSUs held by an executive were exchanged into the same number of shares of our common stock. As the executive elected to net settle a portion of his RSU's in exchange for us paying the related withholding taxes on the share issuance, 125 of the RSUs were cancelled and we issued a net 90 shares of common stock to the executive. This was the final vested amount under the RSU vesting program to our executives (see Footnote 6).

**Order of Suspension of Trading** – On February 7, 2020, the Securities and Exchange Commission (the "SEC") issued an Order of Suspension of Trading (the "SEC Order"), temporarily suspending trading in our stock for a period of ten days. The SEC Order stated that the suspension was due to concerns regarding the accuracy and adequacy of information in the marketplace that appeared to be disseminated by third party promotors and recent and unusual market activity since at least January 22, 2020. We are unable to predict the outcome of the SEC Order or any other actions the SEC may take in connection therewith.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and notes thereto included in Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

FORWARD LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-Q are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties include, without limitation, completion of our capital-raising activities, our ability to maintain our Nasdaq listing, U.S. Food and Drug Administration, approval of our products, other regulations, patent protection of our proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors detailed herein and in other of our filings with the Securities and Exchange Commission, or the Commission. The forward-looking statements are made as of the date of this Form 10-Q, and we assume no obligation to update the forward-looking statements, or to update the reasons actual results could differ from those projected in such forward-looking statements.

Overview

Aethlon Medical, Inc. and its subsidiary (collectively, “Aethlon”, the “Company”, “we” or “us”) is a medical device technology company focused on developing products to diagnose and treat life and organ threatening diseases. The Aethlon Hemopurifier® is a clinical-stage immunotherapeutic device designed to combat cancer and life-threatening viral infections. In cancer, the Hemopurifier is designed to deplete the presence of circulating tumor-derived exosomes that promote immune suppression, seed the spread of metastasis and inhibit the benefit of leading cancer therapies. The U.S. Food and Drug Administration, or the FDA, has designated the Hemopurifier as a "Breakthrough Device" for two independent indications:

- the treatment of individuals with advanced or metastatic cancer who are either unresponsive to or intolerant of standard of care therapy, and with cancer types in which exosomes have been shown to participate in the development or severity of the disease; and

- the treatment of life-threatening viruses that are not addressed with approved therapies.

We believe the Hemopurifier can be a substantial advance in the treatment of patients with advanced and metastatic cancer through the clearance of exosomes that promote the growth and spread of tumors through multiple mechanisms. We are currently preparing for the initiation of clinical trials in patients with advanced and metastatic cancers. We are initially focused on the treatment of solid tumors, including head and neck cancer, gastrointestinal cancers and other cancers.

On October 4, 2019, the FDA approved our Investigational Device Exemption, or IDE, application to initiate an Early Feasibility Study, or EFS, of the Hemopurifier in patients with head and neck cancer in combination with standard of care pembrolizumab (Keytruda). The primary endpoint for the EFS, which will enroll 10-12 subjects at a single center, will be safety, with secondary endpoints including measures of exosome clearance and characterization, as well as response and survival rates.

We also believe the Hemopurifier can be a part of the broad-spectrum treatment of life-threatening highly glycosylated viruses that are not addressed with an already approved treatment. In small-scale or early feasibility human studies, the Hemopurifier has been used to treat individuals infected with HIV, hepatitis-C, and Ebola. Additionally, *in vitro,* the Hemopurifier has been demonstrated to capture Zika virus, Lassa virus, MERS-CoV, cytomegalovirus, Epstein-Barr virus, Herpes simplex virus, Chikungunya virus, Dengue virus, West Nile virus, smallpox-related viruses, H1N1 swine flu virus, H5N1 bird flu virus, and the reconstructed Spanish flu virus of 1918. In several cases, these studies were conducted in collaboration with leading government or non-government research institutes.

We are also the majority owner of Exosome Sciences, Inc., or ESI, a company focused on the discovery of exosomal biomarkers to diagnose and monitor life-threatening diseases. Included among ESI's activities is the advancement of a TauSome™ biomarker candidate to diagnose chronic traumatic encephalopathy, or CTE, in the living. ESI previously documented TauSome levels in former NFL players to be nine times higher than same age-group control subjects. Through ESI we are also developing exosome based biomarkers in patients with, or at risk for, a number of cancers. We consolidate ESI's activities in our consolidated financial statements.

We also have a cross-licensing and development agreement with SeaStar Medical, Inc., focused on co-development of our Hemopurifier cartridge with SeaStar's proprietary cartridges and the development of a closed system for the Hemopurifier using the SeaStar pump and cassettes. This collaboration may allow the deployment of the Hemopurifier into settings that lack dialysis infrastructure, such as chemotherapy infusion centers and field operations for life threatening viral epidemics.

Successful outcomes of human trials will also be required by the regulatory agencies of certain foreign countries where we plan to sell the Hemopurifier. Some of our patents may expire before FDA approval or approval in a foreign country, if any, is obtained. However, we believe that certain patent applications and/or other patents issued more recently will help protect the proprietary nature of the Hemopurifier treatment technology.

Our common stock is listed on the Nasdaq Capital Market under the symbol "AEMD."

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and must file reports, proxy statements and other information with the Commission. The Commission maintains a web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants, like us, which file electronically with the Commission. Our headquarters are located at 9635 Granite Ridge Drive, Suite 100, San Diego, CA 92123. Our phone number at that address is (858) 459-7800. Our Web site is http://www.aethlonmedical.com.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2019 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2018

Government Contract Revenues

We recorded government contract revenue of $413,458 in the three months ended December 31, 2019. This revenue resulted from work performed under Phase 2 Melanoma Cancer Contract with the National Institutes of Health, or NIH. We did not record any government contract revenue in the three months ended December 31, 2018.

We have entered into the following three contracts/grants with the NCI, part of the NIH over the past two years:

**Phase 2 Melanoma Cancer Contract**

On September 12, 2019, the NCI awarded to us an SBIR Phase II Award Contract, for NIH/NCI Topic 359, entitled "A Device Prototype for Isolation of Melanoma Exosomes for Diagnostics and Treatment Monitoring", or the Award Contract. The Award Contract amount is $1,860,561 and runs for the period from September 16, 2019 through September 15, 2021.

The work to be performed pursuant to this Award Contract will focus on melanoma exosomes. This work follows from our completion of a Phase I contract for the Topic 359 solicitation that ran from September 2017 through June 2018 (see Phase 1 Melanoma Cancer Contract below). Following on the Phase I work, the deliverables in the Phase II program involve the design and testing of a pre-commercial prototype of a more advanced version of the exosome isolation platform.

During the three months ended December 31, 2019, we recognized $413,458 in government contract revenue under this contract as a result of the work involved completing the first two milestones in the project as reported in the kick-off presentation to the NCI and first quarterly report. The kick-off presentation covered the Company's organization and project status, recent achievements, the status of the field, the status of commercial and academic competitors, where the proposed project was positioned against the state of the art, the IP landscape, a refresher on the proposed technology, the detailed plan for the first budget period of the contract and technical risks and alternative approaches. The first quarterly report covered a summary of technical objectives, a description of activities accomplished in the quarter, an analysis of experimental data, comments regarding the timeliness of performance, and a brief explanation of activities to be pursued in the following quarter.

**Phase 1 Melanoma Cancer Contract**

We entered into a contract with the NCI in September 2017. This award was under the NIH's SBIR program. The title of the award was "SBIR Topic 359 Phase 1 Device Strategy for Selective Isolation of Oncosomes and Non-Malignant Exosomes." The award from NIH was a firm, fixed-price contract with potential total payments to us of $299,250 over the course of nine months.

Fixed price contracts require the achievement of multiple, incremental milestones to receive the full award during each period of the contract. The NIH also had the unilateral right to require us to perform additional work under an option period for an additional fixed amount of $49,800.

Under the terms of the contract, we were required to perform certain incremental work towards the achievement of specific milestones against which we will invoice the government for fixed payment amounts. The Phase 1 Melanoma Cancer Contract was completed in June 2018.

**Breast Cancer Grant**

In September 2018, the NCI awarded us a government grant (number 1R43CA232977-01). The title of this SBIR Phase I grant is "The Hemopurifier Device for Targeted Removal of Breast Cancer Exosomes from the Blood Circulation."

This NCI Phase I grant period originally ran from September 14, 2018 through August 31, 2019. In August 2019, we applied for and received a no cost, twelve month extension on this grant, so the expiration date was extended to August 31, 2020. The total amount of the firm grant is $298,444. The grant calls for two subcontractors to work with us. Those subcontractors are University of Pittsburgh and Massachusetts General Hospital. We did not recognize any revenue from this contract in the three months ended December 31, 2019 and 2018.

Operating Expenses

Consolidated operating expenses for the three months ended December 31, 2019 were $1,289,864, in comparison with $1,963,873 for the three months ended December 31, 2018. This decrease of $674,009, or 34%, in 2019 was due to a decrease in payroll and related expenses of $755,110, which was partially offset by increases in professional fees of $22,741 and in general and administrative expenses of $58,360.

The $755,110 decrease in payroll and related expenses was due to the combination of a $512,832 reduction in our cash-based compensation expense and a $242,278 decrease in stock-based compensation. The reduction in cash-based compensation expense was due to recording a $505,609 accrual in the December 2018 period related to contractually agreed severance payments to our former CEO and president with no comparable expense in the December 2019 period.

The $22,741 increase in our professional fees in 2019 was primarily due to a $100,577 increase in our legal fees and a $26,927 increase in our accounting fees, which were partially offset by a $103,924 decrease in scientific consulting expenses. The increase in legal and accounting fees related to increased activity in our registration statement filings and in intellectual property actions, among other matters.

The $58,360 increase in general and administrative expenses in 2019 was primarily due to the combination of a $29,065 increase in our clinical trial expenses and a $18,323 increase in licenses and permitting costs.

Other Income (Expense)

Other income (expense) during the three months ended December 31, 2019 consisted of interest expense and a gain on share for warrant exchanges and during the three months ended December 31, 2018, consisted of interest expense only. Other income for the three months ended December 31, 2019 was $55,467, in comparison with other expense of $55,107 for the three months ended December 31, 2018.

The following table breaks out the various components of our other expense for both periods:

| | Three Months Ended 12/31/19 | Three Months Ended 12/31/18 | Change |
|---|---|---|---|
| Gain on Share for Warrant Exchanges | $ 55,593 | $ – | $ 55,593 |
| Interest Expense | (126) | (55,107) | 54,981 |
| Total Other Income (Expense) | $ 55,467 | $ (55,107) | $ 110,574 |

Gain on Common Stock for Warrant Cancellation

During the three months ended December 31, 2019, we agreed with two accredited investors to issue 2,914 shares of our common stock to these investors in exchange for the cancellation of outstanding warrants then held by the investors to purchase an aggregate of 29,141 shares of our common stock. We measured the fair value of the shares issued and the fair value of the warrants exchanged for those shares and recorded a gain of $55,593 on those exchanges based on the changes in fair value between the instruments exchanged.

Interest Expense

Interest expense was $126 for the three months ended December 31, 2019, and $55,107 for the three months ended December 31, 2018, a decrease of $54,981 in 2019. The various components of our interest expense are shown in the following table:

| | Three Months Ended 12/31/19 | Three Months Ended 12/31/18 | Change |
|---|---|---|---|
| Interest Expense | $ 126 | $ 24,820 | $ (24,694) |
| Amortization of Note Discounts | – | 30,287 | (30,287) |
| Total Interest Expense | $ 126 | $ 55,107 | $ (54,981) |

The $54,981 decrease in our interest expense was due to the payoff of our convertible notes in July 2019.

Net Loss

As a result of the changes in revenues and expenses noted above, our net loss decreased from approximately $2,019,000 in the three month period ended December 31, 2018 to $820,000 in the three month period ended December 31, 2019.

Basic and diluted loss attributable to common stockholders were ($0.28) for the three month period ended December 31, 2019, compared to ($1.67) for the three month period ended December 31, 2018.

RESULTS OF OPERATIONS

NINE MONTHS ENDED DECEMBER 31, 2019 COMPARED TO THE NINE MONTHS ENDED DECEMBER 31, 2018

Government Contract Revenues

We recorded government contract revenue in the nine months ended December 31, 2019 and 2018. This revenue resulted from work performed under our government contracts with the NIH as follows:

| | Nine Months Ended 12/31/19 | Nine Months Ended 12/31/18 | Change in Dollars |
|---|---|---|---|
| Phase 2 Melanoma Cancer Contract | $ 413,458 | $ – | $ 413,458 |
| Phase 1 Melanoma Cancer Contract | – | 149,625 | (149,625) |
| Breast Cancer Grant | 30,000 | – | 30,000 |
| Total Government Contract and Grant Revenue | $ 443,458 | $ 149,625 | $ 293,833 |

We have entered into the following three contracts/grants with the NCI, part of the NIH over the past two years:

**Phase 2 Melanoma Cancer Contract**

On September 12, 2019, the NCI awarded to us an SBIR Phase II Award Contract, for NIH/NCI Topic 359, entitled “A Device Prototype for Isolation of Melanoma Exosomes for Diagnostics and Treatment Monitoring”, or the Award Contract. The Award Contract amount is $1,860,561 and runs for the period from September 16, 2019 through September 15, 2021.

The work to be performed pursuant to this Award Contract will focus on melanoma exosomes. This work follows from our completion of a Phase I contract for the Topic 359 solicitation that ran from September 2017 through June 2018 (see Phase 1 Melanoma Cancer Contract below). Following on the Phase I work, the deliverables in the Phase II program involve the design and testing of a pre-commercial prototype of a more advanced version of the exosome isolation platform.

During the nine months ended December 31, 2019, we recognized $413,458 in government contract revenue under this contract as a result of the work involved completing the first two milestones in the project as reported in the kick-off presentation to the NCI and first quarterly report. The kick-off presentation covered the Company's organization and project status, recent achievements, the status of the field, the status of commercial and academic competitors, where the proposed project was positioned against the state of the art, the IP landscape, a refresher on the proposed technology, the detailed plan for the first budget period of the contract and technical risks and alternative approaches. The first quarterly report covered a summary of technical objectives, a description of activities accomplished in the quarter, an analysis of experimental data, comments regarding the timeliness of performance, and a brief explanation of activities to be pursued in the following quarter.

**Phase 1 Melanoma Cancer Contract**

We entered into a contract with the NIH on September 15, 2017. This award was under the NIH’s SBIR program which is designed to fund early stage small businesses that are seeking to commercialize innovative biomedical technologies. The title of the award was SBIR Topic 359 Phase 1 Device Strategy for Selective Isolation of Oncosomes and Non-Malignant Exosomes. The award from NIH was a firm, fixed-price contract with potential total payments to us of $299,250 over the course of nine months.

Fixed price contracts require the achievement of multiple, incremental milestones to receive the full award during each period of the contract. The NIH also had the unilateral right to require us to perform additional work under an option period for an additional fixed amount of $49,800. Under the terms of the contract, we were required to perform certain incremental work toward the achievement of specific milestones against which we invoiced the government for fixed payment amounts.

In the nine months ended December 31, 2018, we performed work under the contract covering the remainder of the technical objectives of the contract (Aim 1: To validate the Hemopurifier as a device for capture and recovery of melanoma exosomes from plasma and Aim 2: To validate a method of melanoma exosome isolation consisting of the Hemopurifier followed by mab-based immunocapture to select out the tumor-derived exosomes from non-malignant exosomes and Aim 3: To evaluate the functional integrity of melanoma exosomes purified by the Hemopurifier and immunocapture isolation steps). As a result, we invoiced NIH for $149,625 during the nine months ended December 31, 2018. The Phase 1 Melanoma Cancer Contract is now completed.

**Breast Cancer Grant**

In September 2018, the NCI awarded us a government grant (number 1R43CA232977-01). The title of this Small Business Innovation Research (SBIR) Phase I grant is “The Hemopurifier Device for Targeted Removal of Breast Cancer Exosomes from the Blood Circulation.”

This NCI Phase I grant period originally ran from September 14, 2018 through August 31, 2019. In August 2019, we applied for and received a no cost, twelve month extension on this grant, so the expiration date was extended to August 31, 2020. The total amount of the firm grant is $298,444. The grant calls for two subcontractors to work with us. Those subcontractors are University of Pittsburgh and Massachusetts General Hospital.

During the nine months ended December 31, 2019, we recognized $30,000 in government contract revenue under this grant as a result of the work involved in one of the three technical objectives of the contract (Aim 2. “Elution of a population of breast cancer exosomes from Hemopurifier cartridges that bear the signatures of malignancy based on expression of CSPG4 and HER2, for triple-negative or HER2-overexpressing cancers, respectively”). We also invoiced the NCI for an additional $100,000 during the nine month period ended December 31, 2019 in order to pay our subcontractors under the contract. As we did not complete any additional technical objectives beyond Aim 2 noted above during the period, we recorded this $100,000 as deferred revenue as of December 31, 2019.

Operating Expenses

Consolidated operating expenses for the nine months ended December 31, 2019 were $4,588,255, in comparison with $4,557,724 for the nine months ended December 31, 2018. This increase of $30,531, or 0.7%, in 2019 was due to increases professional fees of $530,630 and in general and administrative expenses of $316,787, which were partially offset by a reduction in and payroll and related expenses of $816,886.

The $530,630 increase in our professional fees in 2019 was primarily due to a $512,174 increase in our legal fees, a $152,731 increase in our accounting fees and a $65,000 payment to the University of Pittsburgh, a subcontractor on our Breast Cancer grant related to their work on that grant, which were partially offset by a reduction in our scientific consulting expenses of $153,660. The increase in legal and accounting fees related to increased activity in our registration statement filings and in intellectual property actions, among other matters.

The $316,787 increase in general and administrative expenses in 2019 was primarily due to the combination of a $189,857 increase in our clinical trial expense, primarily costs associated with the manufacturing of Hemopurifiers for an expected clinical trial in the cancer space, a $61,354 increase in our lab supplies expense, primarily related to our breast cancer grant and lab work related to our IDE application and a $57,271 increase in travel expense.

The $816,886 decrease in payroll and related expenses was due to the combination of a $628,022 reduction in our cash-based compensation expense and a $188,864 decrease in stock-based compensation. The reduction in cash-based compensation expense was partially due to recording a $505,609 accrual in the December 2018 period related to contractually agreed severance payments to our former CEO and president with no comparable expense in the December 2019 period.

Other Expense

Other expense during the nine months ended December 31, 2019 consisted of interest expense, a gain on share for warrant exchanges and a loss on debt extinguishment and during the nine months ended December 31, 2018, consisted of interest expense only. Other expense for the nine months ended December 31, 2019 was $450,053, in comparison with other expense of $165,317 for the nine months ended December 31, 2018.

The following table breaks out the various components of our other expense for both periods:

| | Nine Months Ended 12/31/19 | Nine Months Ended 12/31/18 | Change |
|---|---|---|---|
| Loss on Debt Extinguishment | $ 447,011 | $ – | $ 447,011 |
| Gain on Share for Warrant Exchanges | (51,190) | – | (51,190) |
| Interest Expense | 54,232 | 165,317 | (111,085) |
| Total Other Expense | $ 450,053 | $ 165,317 | $ 284,736 |

Loss on Debt Extinguishment

During the nine months ended December 31, 2019, we reduced the conversion price on our outstanding convertible notes from $45.00 per share to $10.20 per share. The modification of the convertible notes was evaluated under ASC 470-50-40 and the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting. Under the extinguishment accounting we recorded a loss on debt extinguishment of $447,011.

Gain on Common Stock for Warrant Cancellation

During the nine months ended December 31, 2019, we agreed with seven accredited investors to issue an aggregate of 3,992 shares of our common stock to these investors in exchange for the cancellation of outstanding warrants then held by the investors to purchase an aggregate of 39,900 shares of our common stock. We measured the fair value of the shares issued and the fair value of the warrants exchanged for those shares and recorded a gain of $51,190 on those exchanges based on the changes in fair value between the instruments exchanged.

Interest Expense

Interest expense was $54,232 for the nine months ended December 31, 2019, and $165,317 for the nine months ended December 31, 2018, a decrease of $111,085 in 2019. The various components of our interest expense are shown in the following table:

| | Nine Months Ended 12/31/19 | Nine Months Ended 12/31/18 | Change |
|---|---|---|---|
| Interest Expense | $ 23,945 | $ 74,456 | $ (50,511) |
| Amortization of Note Discounts | 30,287 | 90,861 | (60,574) |
| Total Interest Expense | $ 54,232 | $ 165,317 | $ (111,085) |

The $111,085 decrease in our interest expense was due to the payoff of our convertible notes in July 2019.

Net Loss

As a result of the changes in revenues and expenses noted above, our net loss decreased from approximately $4,573,000 in the nine month period ended December 31, 2018 to $4,595,000 in the nine month period ended December 31, 2019.

Basic and diluted loss attributable to common stockholders were ($2.52) for the nine month period ended December 31, 2019, compared to ($3.82) for the nine month period ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2019, we had a cash balance of $4,058,653 and working capital of $3,495,119. This compares to a cash balance of $3,828,074 and working capital of $2,214,230 at March 31, 2019. We expect our existing cash as of December 31, 2019, together with cash raised in January 2020 (see Subsequent Events Footnote), to be sufficient to fund the Company’s operations for at least twelve months.

Our primary sources of capital during the nine months ended December 31, 2019 were the December 2019 Public Offering and our Common Stock Sales Agreement with H.C. Wainwright & Co., LLC, or H.C. Wainwright. The cash raised from those activities is noted below:

**December 2019 Public Offering**

On December 13, 2019, we entered into an underwriting agreement with H.C. Wainwright and Co., as representative of the several underwriters named therein, relating to the public offering, issuance and sale of 3,333,334 shares of common stock (which includes pre-funded warrants to purchase shares of common stock in lieu thereof), and common warrants to purchase up to an aggregate of 3,333,334 shares of common stock at a public offering price of $1.50 per share (the “December 2019 Public Offering”). Each share of common stock (or pre-funded warrant in lieu thereof) was sold together with a common warrant to purchase one share of common stock. The common warrants have an exercise price of $1.50 per share, were immediately exercisable, and will expire five years from the date of issuance. The offering closed on December 17, 2019.

The gross proceeds of the December 2019 Public Offering were approximately $5 million, prior to deducting underwriting discounts and commissions and estimated offering expenses and excluding the exercise of any common warrants and the underwriter's option to purchase additional securities. The net proceeds from the December 2019 Public Offering were approximately $4,091,437. We intend to use approximately $700,000 of the net proceeds from this offering for the currently planned clinical trials for the Hemopurifier® over the next 12 months, with the remainder for working capital and other general corporate purposes.

Subsequent to the completion of the December 2019 Public Offering and prior to December 31, 2019, all of the holders of pre-funded warrants exercised their pre-funded warrants in full.

In the event of a Fundamental Transaction (a transfer of ownership of the Company as defined in the common warrants issued in the December 2019 Public Offering) within our control, the holders of the unexercised common stock warrants exercisable for $1.50 per share, are entitled to receive cash consideration equal to a Black-Scholes valuation, as defined in the warrant. If such Fundamental Transaction is not within our control, the warrant holders would only be entitled to receive the same form of consideration (and in the same proportion) as the holders of our common stock, hence these warrants are classified as a component of permanent equity.

**Common Stock Sales Agreement with H.C. Wainwright**

On June 28, 2016, we entered into a Common Stock Sales Agreement, or the Agreement, with H.C. Wainwright, which established an at-the-market equity program pursuant to which we may offer and sell shares of our common stock from time to time as set forth in the Agreement. The Agreement provides for the sale of shares of our common stock having an aggregate offering price of up to $12,500,000, or the Shares.

On August 6, 2019, we executed Amendment No. 1 to the Agreement with H.C. Wainwright, effective as of August 5, 2019. The amendment provides that references in the Agreement to the registration statement shall refer to the registration statement on Form S-3 (File No. 333-231397), originally filed with the Securities and Exchange Commission on May 10, 2019, declared effective by the Securities and Exchange Commission on August 1, 2019. We terminated the ATM Prospectus Supplement and suspended any sales under the Sales Agreement on January 17, 2020, but the Sales Agreement remains in full force and effect.

Subject to the terms and conditions set forth in the Agreement, H.C. Wainwright agreed to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the Shares from time to time, based upon our instructions. We have provided H.C. Wainwright with customary indemnification rights, and H.C. Wainwright is entitled to a commission at a fixed rate equal to three percent (3.0%) of the gross proceeds per Share sold. In addition, we agreed to pay certain expenses incurred by H.C. Wainwright in connection with the Agreement, including up to $50,000 of the fees and disbursements of their counsel. The Agreement will terminate upon the sale of all of the Shares under the Agreement, unless terminated earlier by either party as permitted under the Agreement.

Sales of the Shares, if any, under the Agreement will be made in transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act, including sales made by means of ordinary brokers’ transactions, including on the Nasdaq Capital Market, at market prices or as otherwise agreed with H.C. Wainwright. We have no obligation to sell any of the Shares, and, at any time, we may suspend offers under the Agreement or terminate the Agreement.

In the nine months ended December 31, 2019, we raised aggregate net proceeds of $896,031 (net of $27,896 in commissions to H.C. Wainwright and $5,929 in other offering expenses) under this Agreement through the sale of 161,149 shares at an average price of $5.56 per share of net proceeds.

Future capital requirements will depend upon many factors, including progress with pre-clinical testing and clinical trials, the number and breadth of our clinical programs, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, the time and costs involved in obtaining regulatory approvals, competing technological and market developments, as well as our ability to establish collaborative arrangements, effective commercialization, marketing activities and other arrangements. We expect to continue to incur increasing negative cash flows and net losses for the foreseeable future.

Cash Flows

Cash flows from operating, investing and financing activities, as reflected in the accompanying Condensed Consolidated Statements of Cash Flows, are summarized as follows:

| | (In thousands) For the nine months ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Cash used in: | | |
| Operating activities | $ (3,577) | $ (2,896) |
| Investing activities | (148) | – |
| Financing activities | 3,956 | 747 |
| Net increase (decrease) in cash | $ 231 | $ (2,149) |

NET CASH USED IN OPERATING ACTIVITIES. We used cash in our operating activities due to our losses from operations. Net cash used in operating activities was approximately $3,577,000 in the nine month period ended December 31, 2019, compared to approximately $2,896,000 in the nine month period ended December 31, 2018.

NET CASH USED IN INVESTING ACTIVITIES. We used approximately $148,000 of cash to purchase laboratory and office equipment in the nine months ended December 31, 2019. We had no investing activities in the nine months ended December 31, 2018.

NET CASH USED IN FINANCING ACTIVITIES. During the nine months ended December 31, 2019, we raised approximately $3,956,000 from the issuance of common stock. That source of cash from our financing activities was partially offset by the use of approximately $993,000 to partially pay down our convertible notes and the use of approximately $39,000 to pay for the tax withholding on restricted stock units, for an aggregate increase of cash provided by financing activities of approximately $3,956,000. During the nine months ended December 31, 2018, we raised approximately $884,000 from the issuance of common stock, which was partially offset by the use of approximately $137,000 to pay for the tax withholding on restricted stock units.

As of the date of this filing, we plan to invest significantly into purchases of our raw materials and into our contract manufacturing arrangement, subject to successfully raising additional capital.

CRITICAL ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions affect the reported amounts of expenses during the reporting period. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require the most difficult, subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These critical accounting estimates relate to revenue recognition, stock purchase warrants issued with notes payable, beneficial conversion feature of convertible notes payable, impairment of intangible assets and long lived assets, stock compensation, deferred tax asset valuation allowance, and contingencies.

There have been no changes to our critical accounting policies as disclosed in our Form 10-K for the year ended March 31, 2019, except for the leases policy disclosed in Note 4 to the accompanying unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

OFF-BALANCE SHEET ARRANGEMENTS

We have no obligations required to be disclosed herein as off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item.

ITEM 4. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. We are not presently a party to any pending or threatened legal proceedings.

ITEM 1A. RISK FACTORS.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item. For a discussion of our potential risks and uncertainties, please see the information listed in the item captioned "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019. Except as provided below, there have been no material changes to the risk factors as disclosed in the Form 10-K. You should carefully consider the risk factors discussed below and in our Annual Report on Form 10-K for the year ended March 31, 2019, which could materially affect our business, financial position and results of operations.

***Our products are manufactured with raw materials that are sourced from specialty suppliers with limited competitors and we may therefore be unable to access the materials we need to manufacture our products.***

Specifically, the Hemopurifier contains three critical components with limited supplier numbers. The base cartridge on which the Hemopurifier is constructed is sourced from Medica S.p.A and we are dependent on the continued availability of these cartridges. We currently purchase the diatomaceous earth from Janus Scientific Inc., our distributor; however, the product is manufactured by Imerys Minerals Ltd., which is the only supplier of this product. The Galanthus nivalis lectin, or GNA Lectin, is sourced from Vector Laboratories, Inc. and also is available from other suppliers; however, Sigma Aldrich is the only approved back up supplier at this time. A business interruption at any of these sources could have a material impact on our ability to manufacture the Hemopurifier.

***Even though we have received breakthrough device designation for the Hemopurifier for two independent indications, this designation may not expedite the development or review of the Hemopurifier and does not provide assurance ultimately of PMA submission or approval by the FDA.***

The Breakthrough Devices Program is a voluntary program intended to expedite the review, development, assessment and review of certain medical devices that provide for more effective treatment or diagnosis of life-threatening or irreversibly debilitating human diseases or conditions for which no approved or cleared treatment exists or that offer significant advantages over existing approved or cleared alternatives. All submissions for devices designated as Breakthrough Devices will receive priority review, meaning that the review of the submission is placed at the top of the appropriate review queue and receives additional review resources, as needed.

Although breakthrough designation or access to any other expedited program may expedite the development or approval process, it does not change the standards for approval. Although we obtained breakthrough device designation for the Hemopurifier for two indications, we may not experience faster development timelines or achieve faster review or approval compared to conventional FDA procedures. For example, the time required to identify and resolve issues relating to manufacturing and controls, the acquisition of a sufficient supply of our product for clinical trial purposes or the need to conduct additional nonclinical or clinical studies may delay approval by the FDA, even if the product qualifies for breakthrough designation or access to any other expedited program. Access to an expedited program may also be withdrawn by the FDA if it believes that the designation is no longer supported by data from our clinical development program. Additionally, qualification for any expedited review procedure does not ensure that we will ultimately obtain regulatory approval for the product.

***Compliance with laws, regulations, and related interpretations and related legal claims or other regulatory enforcement actions could impact our business, and we face additional risks and uncertainties related to any potential actions resulting from the Securities and Exchange Commission's (the "SEC") ongoing investigation, or any other investigation or action.***

On February 7, 2020, the SEC issued an Order of Suspension of Trading (the "SEC Order"), temporarily suspending trading in our stock for a period of ten days. The SEC Order stated that the suspension was due to concerns regarding the accuracy and adequacy of information in the marketplace that appeared to be disseminated by third party promotors and recent and unusual market activity since at least January 22, 2020. We are unable to predict the outcome of the SEC Order or any other actions the SEC may take in connection therewith. Furthermore, the Company's reputation may be negatively impacted. As a result, the potential impact to the Company's business, if any, cannot be determined.

***Our bylaws designate the Eighth Judicial District Court of Clark County, Nevada, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.***

Our bylaws require that, to the fullest extent permitted by law, and unless the Company consents in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, will, to the fullest extent permitted by law, be the sole and exclusive forum for each of the following:

- any derivative action or proceeding brought in the name or right of the Company or on its behalf,
- any action asserting a claim for breach of any fiduciary duty owed by any director, officer, employee or agent of the Company to the Company or the Company's stockholders,
- any action arising or asserting a claim arising pursuant to any provision of NRS Chapters 78 or 92A or any provision of our articles of incorporation or bylaws, or
- any action asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of our articles of incorporation or bylaws.

However, our bylaws provide that the exclusive forum provisions do not apply to suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction. We note that there is uncertainty as to whether a court would enforce the provision and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Although we believe this provision benefits us by providing increased consistency in the application of Nevada law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In the three months ended, December 31, 2019, an aggregate of 851 shares of our common stock were issued to two accredited investors in exchange for the cancellation of outstanding warrants previously held by these investors to purchase an aggregate of 8,505 shares of our common stock.

The offers, sales and issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) in that the issuance of securities to the accredited investors did not involve a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. No underwriters were involved in these transactions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

We have no disclosure applicable to this item.

ITEM 4. MINE SAFETY DISCLOSURES.

We have no disclosure applicable to this item.

ITEM 5. OTHER INFORMATION.

We have no disclosure applicable to this item.

ITEM 6. EXHIBITS.

(a) Exhibits. The following documents are filed as part of this report:

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | SEC File No. | Exhibit Number | Date | |
| 3.1 | Articles of Incorporation. | S-3 | 333-211151 | 3.1 | May 5, 2016 | |
| 3.2 | Amended and Restated Bylaws of the Company. | 8-K | 001-37487 | 3.1 | September 12, 2019 | |
| 4.1 | Form of Common Stock Certificate. | S-1 | 333-201334 | 4.1 | December 31, 2014 | |
| 4.2 | Form of Common Stock Purchase Warrant dated August 29, 2012. | 8-K | 000-21846 | 4.1 | September 6, 2012 | |
| 4.3 | Form of Common Stock Purchase Warrant dated October, November and December 2012. | 10-Q | 000-21846 | 4.1 | February 12, 2013 | |
| 4.4 | Form of Common Stock Purchase Warrant dated June 14, 2013. | 10-Q | 000-21846 | 4.1 | August 13, 2013 | |
| 4.5 | Form of Common Stock Purchase Warrant dated June 24, 2014. | 8-K | 000-21846 | 4.1 | June 30, 2014 | |
| 4.6 | Form of Common Stock Purchase Warrant dated July 24, 2014. | 8-K | 000-21846 | 4.1 | July 28, 2014 | |
| 4.7 | Form of Common Stock Purchase Warrant dated August and September 2014. | 10-Q | 000-21846 | 4.3 | November 10, 2014 | |
| 4.8 | Form of Warrant to Purchase Common Stock dated June 25, 2015. | 8-K | 000-21846 | 4.1 | June 24, 2015 | |
| 4.9 | Form of Purchase Agent Warrant dated June 25, 2015. | 8-K | 000-21846 | 4.1 | June 26, 2015 | |
| 4.10 | Form of Warrant Agreement dated March 27, 2017. | 8-K | 001-37487 | 4.1 | March 22, 2017 | |
| 4.11 | Form of Warrant dated _____, 2017. | S-1/A | 333-219589 | 4.29 | September 18, 2017 | |
| 4.12 | Form of Placement Agent Warrant dated _____, 2017. | S-1/A | 333-219589 | 4.30 | September 22, 2017 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 4.14 | Form of Warrant to Purchase Common Stock. | S-1/A | 333-234712 | 4.14 | December 11, 2019 | |
| 4.15 | Form of Underwriter Warrant. | S-1/A | 333-234712 | 4.15 | December 11, 2019 | |
| 4.16 | Form of Common Stock Purchase Warrant. | 8-K | 001-37487 | 4.1 | January 17, 2020 | |
| 10.1 | Assignment Agreement, by and between Aethlon Medical, Inc. and London Health Sciences Center Research Inc., dated November 7, 2006. | S-1 | 333-234712 | 10.27 | November 15, 2019 | |
| 10.2 | Form of Securities Purchase Agreement, by and between Aethlon Medical, Inc. and the Purchaser's thereto, dated January 17, 2020. | 8-K | 001-37487 | 10.1 | January 17, 2020 | |
| 31.1 | Certification of Principal Executive Officer pursuant to Securities Exchange Act rules 13a- 14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial Officer pursuant to Securities Exchange Act rules 13a- 14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1 | Certification of Principal Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2 | Certification of Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101 | Interactive Data Files | | | | | |
| 101.INS | XBRL Instance Document | | | | | |
| 101.SCH | XBRL Schema Document | | | | | |
| 101.CAL | XBRL Calculation Linkbase Document | | | | | |
| 101.DEF | XBRL Definition Linkbase Document | | | | | |
| 101.LAB | XBRL Label Linkbase Document | | | | | |
| 101.PRE | XBRL Presentation Linkbase Document | | | | | |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AETHLON MEDICAL, INC.

Date: February 10, 2020

By: /s/ JAMES B. FRAKES
JAMES B. FRAKES
CHIEF FINANCIAL OFFICER
CHIEF ACCOUNTING OFFICER

**EXHIBIT 31.1**

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy C. Rodell, MD certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aethlon Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2020

/s/ TIMOTHY C. RODELL, MD
TIMOTHY RODELL
CHIEF EXECUTIVE OFFICER
(PRINCIPAL EXECUTIVE OFFICER)

**EXHIBIT 31.2**

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James Frakes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aethlon Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2020

/s/ JAMES B. FRAKES
JAMES B. FRAKES
CHIEF FINANCIAL OFFICER
(PRINCIPAL FINANCIAL OFFICER)

**EXHIBIT 32.1**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aethlon Medical, Inc. (the "Registrant") on Form 10-Q for the nine-month period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof, I, Timothy C. Rodell, MD, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Aethlon Medical, Inc.

Dated: February 10, 2020

/s/ TIMOTHY C. RODELL, MD
Timothy C. Rodell, MD
Chief Executive Officer
Aethlon Medical, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Aethlon Medical, Inc. and will be retained by Aethlon Medical, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aethlon Medical, Inc. (the "Registrant") on Form 10-Q for the nine-month period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof, I, James B. Frakes, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Aethlon Medical, Inc.

Dated: February 10, 2020

/s/ JAMES B. FRAKES
James B. Frakes
Chief Financial Officer
Aethlon Medical, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Aethlon Medical, Inc. and will be retained by Aethlon Medical, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.