February 4, 2016

# Aethlon Medical Announces Fiscal 2016 Third Quarter Results

SAN DIEGO, Feb. 4, 2016 /PRNewswire/ -- Aethlon Medical, Inc. (Nasdaq: AEMD), the pioneer in creating affinity biofiltration devices to treat life-threatening diseases, today announced results for the third quarter of fiscal 2016 ended December 31, 2015.


"Beyond achieving short-term objectives set forth in our last quarterly call, we strategically advanced pre-clinical and clinical endeavors that reinforce our long-term objective to establish the Aethlon Hemopurifier® as a leading broad-spectrum countermeasure against viral threats that are either untreatable with or resistant to antiviral drug therapies," stated Jim Joyce, Chairman and CEO of Aethlon Medical. "Specific to our U.S. clinical endeavors, we completed training of our new Principal Investigator to support the advancement of our clinical study in Houston, and additionally trained two sub-Principal Investigators as a means to accelerate patient recruitment going forward. We also continued to achieve milestones under our DARPA contract. Our Exosome Sciences subsidiary agreed to conduct follow-on TauSome™ testing to individuals who were previously enrolled in the CTE focused DETECT study and will additionally provide TauSome™ testing as part of a 17 site clinical study that will be funded by the NIH. Additionally, the manuscript that we submitted for publication with our DETECT study collaborators, has now been accepted for publication. We believe that our TauSome™ biomarker is the most advanced blood-based candidate to identify CTE in living individuals. Finally, we established internal business development capabilities to leverage certain oncology and infectious disease intellectual property assets."

Aethlon's lead therapeutic candidate is the Aethlon Hemopurifier®, a first-in-class device that targets the rapid elimination of infectious viruses and cancer-promoting exosomes. To date, Aethlon has demonstrated the utility of its Hemopurifier to capture a broad spectrum of

infectious viral pathogens.  Aethlon and its Exosome Sciences subsidiary, which is focused on the discovery of exosome-based biomarkers to diagnose and monitor neurological disorders, are taking steps toward the company's goal of clinical advancement in the U.S. Recent developments include:

**Infectious Viruses:**

- **Approval of "A Clinical Safety Study of the Aethlon Hemopurifier® in Patients with Dengue Virus":** This human treatment study has been approved by the Institutional Ethics Committee (IEC) at the MAX Super Specialty Hospital in Delhi, India.
- **Validation of Rapid Capture of Chikungunya Virus:**In vitro studies conducted by India's National Institute of Virology (NIV) have validated the rapid capture of Chikungunya virus by small-scale versions of the Aethlon Hemopurifier®. Details of the Chikungunya study along with other Hemopurifier in vitro virus validations can be accessed online at the Aethlon Medical Knowledge Center.
- **Investigator Training for FDA Approved Feasibility Study at the DaVita MedCenter Dialysis in Houston, Texas:** Completed training its new principal investigator, Dr. Ronald Ralph, and additionally trained two sub-principal investigators.

**Cancer-Promoting Exosomes**

- **IRB Approved Cancer Patient Accrual in Study with University of California, Irvine Media Center:** Designed to monitor changes in exosome levels and to help select a lead oncology target for treatment. The study is currently recruiting patients.

**Chronic Traumatic Encephalopathy (CTE):**

- **Manuscript Submission for DETECT Study:** Aethlon's Exosome Sciences subsidiary participated in the submission of a manuscript for publication as part of the DETECT Study conducted in former NFL players by Boston University Center For the Study of Chronic Traumatic Encephalopathy (CTE). The study includes a report on the TauSome™ biomarker discovery that could lead to a test that could detect and monitor CTE in living individuals.
- **DETECT Study Follow-on Testing:** Agreed to provide follow-on TauSome™ testing to former NFL players who participated in the original DETECT Study.
- **Participating in New Clinical Research Study:** Agreed to participate in a new clinical research study to establish methods for detecting and diagnosing CTE during life, as well as examining risk factors for CTE. The study will be conducted under a $16 million grant that the National Institutes of Health/National Institute of Neurological Disorders and Stroke (NIH/NINDS) has awarded to researchers from Boston University, the Cleveland Clinic, Banner Alzheimer's Institute and Brigham and Women's Hospital in Boston.

**Financial Results**

At December 31, 2015, we had a cash balance of approximately $3.3 million. Our cash position will be used to fund our FDA-approved feasibility study in the U.S. and our operations over the current fiscal year.

We recorded revenues from our government contracts of $301 thousand in the third quarter of fiscal 2016 compared to $33 thousand in the third quarter of fiscal 2015. The increase was due to achieving a milestone under our DARPA contract in the December 2015 period while no milestones were achieved in the December 2014 period.

Consolidated operating expenses were $1.4 million in the third quarter of fiscal 2016 compared to $1.1 million in the third quarter of last year.

Professional fees were $388 thousand in the third quarter of fiscal 2016 compared to $82 thousand in the third quarter of last year. The increase in professional fees was primarily due to an increase in our non-DARPA-related professional fees of $317,562. We also had an increase in our professional fees at Exosome Sciences, Inc. (our majority owned subsidiary) (ESI) of $9,218 due to increased intellectual property activity. Those increases were partially offset by a reduction in our DARPA-related professional fees of $20,989. The decrease in our DARPA-related professional fees was due to decreased activity under the contract.

Payroll and related expenses were $615 thousand in the third quarter of fiscal 2016 compared to $571 thousand in the third quarter of last year, an increase of $44 thousand. The increase in payroll and related expenses was primarily due to a $70,981 increase in cash-based compensation, which was partially offset by a $27,189 decrease in stock-based compensation due to vesting of stock option grants issued in July 2013 and June 2014. The $70,981 increase in cash-based compensation primarily arose from an increase of $175,860 at Aethlon which was partially offset by a reduction of $104,879 at ESI due to headcount reductions. The increase in cash-based compensation at Aethlon was primarily due to retention bonus payments of $200,000 which were partially offset by headcount reductions.

General and administrative expenses were $383 thousand in the third quarter of fiscal 2016 compared to $467 thousand in the third quarter of last year, a decrease of $84 thousand. The decrease was primarily due to an increase of $5,023 in our non-DARPA-related general and administrative expenses, which was partially offset by a $82,747 decrease in the general and administrative expenses at ESI and a $7,112 decrease in our DARPA-related general and administrative expenses.

Net loss for the third quarter of fiscal 2016 was $1.2 million, or $0.16 per share, compared to net loss of $1.6 million, or $0.26 per share, for the third quarter of fiscal 2015.

Our unaudited condensed consolidated balance sheet for December 31, 2015 and our unaudited condensed consolidated statements of operations for the three and nine month periods ended December 31, 2015 and 2014 follow at the end of this release.

**Conference Call**

Aethlon will hold a conference call for investors on February 4, 2016 at 1:30 p.m. PT (4:30 p.m. ET). Investors may access the call by dialing 412-317-5442 (domestic) or 844-836-8741 (International). A live webcast of the call will be available from the Investor Relations section of www.aethlonmedical.com. A recording of the call will also be available by calling 412-317-0088; access code 10080270 beginning approximately two hours after the call, and will be available for one week. A webcast replay from today's call will also be available from the Investor Relations section of www.aethlonmedical.com approximately one hour after the

call and will be available for up to thirty days.

**About Aethlon Medical, Inc.**

Aethlon Medical creates affinity biofiltration devices to treat life-threatening diseases. Our lead therapeutic candidate is the Aethlon Hemopurifier®, a first-in-class device that targets the rapid elimination of infectious viruses and cancer-promoting exosomes from the circulatory system of treated individuals. U.S. clinical progression of Hemopurifier therapy is being advanced under an FDA approved clinical study. We also provide government contracting services to the Defense Advanced Research Projects Agency related to the development of a biofiltration device to treat sepsis. Additional information can be found online at www.AethlonMedical.com or you can connect with us on Twitter, LinkedIn, Facebook and Google+.

*This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "will," "projections," "estimate," or similar expressions constitute forward-looking statements. Such forward-looking statements are subject to significant risks and uncertainties and actual results may differ materially from the results anticipated in the forward-looking statements. Factors that may contribute to such differences include, without limitation, the Company's ability to maintain its listing on the Nasdaq Capital Market, or any other national securities exchange, that the Company or its subsidiary will not be able to commercialize its products, that the FDA will not approve the initiation or continuation of the Company's clinical programs or provide market clearance of the Company's products, the Company's ability to raise capital when needed, the Company's ability to complete the development of its planned products, the Company's ability to manufacture its products either internally or through outside companies, the impact of government regulations, patent protection on the Company's proprietary technology, the ability of the Company to meet the milestones contemplated in its contract with DARPA, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors. The foregoing list of risks and uncertainties is illustrative, but is not exhaustive. Additional factors that could cause results to differ materially from those anticipated in forward-looking statements can be found under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended March 31, 2015, and in the Company's other filings with the Securities and Exchange Commission. Except as may be required by law, the Company does not intend, nor does it undertake any duty, to update this information to reflect future events or circumstances.*

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**AETHLON MEDICAL, INC. AND SUBSIDIARIES**

**Condensed Consolidated Balance Sheet**

**ASSETS**

| | December 31, 2015 | March 31, 2015 |
|---|---|---|
| | (unaudited) | |
| CURRENT ASSETS | | |
| Cash | $3,250,897 | $855,596 |
| Accounts receivable | 1,668 | 193,341 |
| Deferred financing costs | 91,102 | 82,324 |
| Prepaid expenses | 91,617 | 73,135 |
| TOTAL CURRENT ASSETS | 3,435,284 | 1,204,396 |
| Property and equipment, net | 43,684 | 56,091 |
| Patents, net | 96,452 | 103,325 |
| Other assets | 17,443 | 16,776 |
| TOTAL NONCURRENT ASSETS | 157,579 | 176,192 |
| TOTAL ASSETS | $3,592,863 | $1,380,588 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 215,903 | 342,133 |
| Due to related parties | 155,112 | 146,112 |
| Convertible notes payable, net | 434,643 | - |
| Other current liabilities | 78,231 | 85,731 |
| TOTAL CURRENT LIABILITIES | 883,889 | 573,976 |
| NONCURRENT LIABILITIES | | |
| Convertible notes payable, non-current portion, net | - | 155,229 |
| TOTAL NONCURRENT LIABILITIES | - | 155,229 |

| | | |
|---|---|---|
| TOTAL LIABILITIES | 883,889 | 729,205 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY | | |
| Common stock, par value of $0.001, 10,000,000 shares authorized; 7,622,393 and 6,657,046 issued and outstanding | 7,621 | 6,657 |
| Additional paid in capital | 87,996,431 | 82,238,507 |
| Deficit accumulated during the development stage | (85,254,522) | (81,629,714) |
| TOTAL STOCKHOLDERS' EQUITY BEFORE NONCONTROLLING INTERESTS | 2,749,530 | 615,450 |
| Noncontrolling interests | (40,556) | 35,933 |
| TOTAL STOCKHOLDERS' EQUITY | 2,708,974 | 651,383 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $3,592,863 | $1,380,588 |
| | $- | $0 |

**AETHLON MEDICAL, INC. AND SUBSIDIARIES**

**Condensed Consolidated Statements of Operations**

**For three and nine months ended December 31, 2015 and 2014**

| | Three Months Ended 12/31/15 | Three Months Ended 12/31/14 | Nine Months Ended 12/31/15 | Nine Months Ended 12/31/14 |
|---|---|---|---|---|
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Government contract revenue | $301,033 | $33,434 | $681,907 | $563,805 |
| OPERATING EXPENSES | | | | |
| Professional fees | 387,820 | 82,029 | 1,315,253 | 792,463 |
| Payroll and related | 614,731 | 570,939 | 1,670,809 | 1,735,979 |
| General and administrative | 382,612 | 467,446 | 994,305 | 895,543 |
| | 1,385,163 | 1,120,414 | 3,980,367 | 3,423,985 |
| OPERATING LOSS | (1,084,130) | (1,086,980) | (3,298,460) | (2,860,180) |
| OTHER (INCOME) EXPENSE | | | | |
| Loss on extinguishment of debt | - | 222,939 | - | 2,754,062 |
| Interest and other debt expenses | 148,904 | 148,723 | 402,837 | 293,522 |
| Loss on extension of warrants | - | 143,363 | - | 143,363 |
| | 148,904 | 515,025 | 402,837 | 3,190,947 |
| NET LOSS BEFORE NONCONTROLLING INTERESTS | $(1,233,034) | $(1,602,005) | $(3,701,297) | $(6,051,127) |
| Loss attributable to noncontrolling interests | (15,866) | (51,548) | (76,489) | (140,683) |
| NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS | $(1,217,168) | $(1,550,457) | $(3,624,808) | $(5,910,444) |
| Basic and diluted net loss available to common stockholders per share | $ (0.16) | $ (0.26) | $ (0.50) | $ (1.12) |
| Weighted average number of common shares outstanding | 7,616,619 | 6,032,126 | 7,318,019 | 5,254,459 |

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