Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Price Target Decrease

Aethlon Medical

(NASDAQ: AEMD)

1Q-F23 Earnings Update

Report Date: 08/16/22

12- 24 month Price Target: *$4.25

Allocation: 3

Closing Stock Price at Initiation (Closing Px: 07/22/20): $2.14

Closing Stock Price at Allocation Decrease (Closing Px: 06/09/21): $10.79

Closing Stock Price at Allocation Increase (Closing Px: 08/12/21): $3.82

Closing Price at This Update (Closing Px: 08/15/22) $1.34

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Disclosure: Portions of this report are excerpted from Aethlon Medical's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

Aethlon reported Q1-F23 results 08/09/22. Those results were as usual not surprising in any particular way as they are pre-revenue and working towards and FDA approval for their Hemopurifier. Granted, the past few quarters have seen an acceleration of operating expenses (up roughly $800,000 or about 39% for Q1F23 vs Q1F22), but we think much of that is related to increased clinical activity around Covid19, as well as in their combination cancer trials. To put the numbers into a more practical context, with an operating *cash* burn of $2.7 million per quarter (per Q1-F23 results) and a cash position of just under $15 million at the end of the quarter, they had 5.5 quarters worth of cash (through mid-November 2023). However, as others who follow the stock are likely aware, the Company has proven adept at taking advantage of their shelf registration(s) to raise money when the stock performs. Recall, and as the price information on the header of this update reflects, we lowered our allocation of the shares in June 2021 when the stock *breached our 5X initiation price* target after some news regarding their treatment of a covid patient. As it turned out, through the past month or so they got another boost from speculation around Monkey Pox and according to their filing were able to raise an additional $8.3 million in July/August 2022, which, assuming they stay in line with 1Q-F23 operating numbers, should extend their cash burn runway through 2Q calendar 2024. Or roughly 2 years. Obviously, that assumes they do not sell additional shares along they way, which we think they are likely to do.

As we have noted in prior research on the Company, we have followed the Aethlon story for well over a decade, and our enthusiasm in that regard stems from our belief that their device can reduce viral load from many, perhaps all human viruses. In short, the Hemopurifier binds to glycoproteins. As we understand it, most viruses known to impact humans are glycosylated viruses. The Hemopurifier binds to the glycoproteins surrounding the virus(s) and removes them from the blood stream. That said, while it seems intuitive to us that reducing viral load will lead to better outcomes, clinical trials are required to measure/prove that notion and being able to conduct those trials has proven challenging for Aethlon for years. While we believed Covid would provide them that opening, it has not to this point, which is disappointing, but if we are honest also quite puzzling. To edify, when it comes to the pandemic and the potential treatments/therapies therein, we have developed the view that the FDA has been much more accommodative to big pharma than its smaller counterparts. By the way, that is our speculation not the Company's.

Aside from reducing viral load, the Hemopurifier has also demonstrated an ability to extract exosomes from the blood stream. This characteristic may be less intuitive than the value of reducing viral load, but on some levels, it may be even more significant. For instance, one of the criticisms Aethlon has faced in the past was that (aside from very limited patient samples) some of its success reducing the viral loads of patients with other lethal viruses (Ebola for instance), came later in the disease progression where some argue that other treatments and or the progression of the disease itself contributed to the reduction of viral load. In the case of Covid, there is a view that while reducing viral load early in the disease could be quite beneficial, viral load may eventually subside in naturally, but the body will continue to be compromised by other advanced complications. For example, with Covid, we have heard a great deal about the role of cytokine storm in the advancement/severity of the disease.

While the role of exosomes in disease is not as well understood as many other disease mechanisms, studies are beginning to suggest that they do play a significant role in the advance of some disease, and that may be particularly true about the systemic impact of things like viruses and cancer. Following that chain of logic, one could glean that removing exosomes might be as or more beneficial to infected patients, especially perhaps at particular stages of the disease. In short, we think the Hemopurifier may represent a more holistic approach to the treatment of viruses (and perhaps even some cancers) than other approved treatments.

To reiterate, given the scramble for effective treatments for covid, in the context of the (albeit small sample) success Aethlon has had over the years in even more lethal viruses, it is inconceivable to us that they have yet to be able to conduct a bona fide clinical trial. To be clear, we do not think this has been the result of the Company not trying, we just think the "powers that be" have had their own agenda, which did not include Aethlon. That brings us to another point.

We recognize that our line of reasoning here borders on conspiracy, but we certainly are not the only ones supporting this view. By the way, we think that universe includes individuals with far deeper medical knowledge than us as well as individuals with far deeper knowledge of the workings of federal agencies as well. That said, and perhaps from another angle, we know that the breadth of covid provided a huge financial opportunity for big pharma. In our view most people, deeply informed or otherwise, will find that hard to argue with. From that perspective, we think the Monkey Pox outbreak may once again provide Aethlon with another opening at conducting a bona fide clinical trial, which as we understand it, they are preparing to do. In short, we think it is fair to suggest that there will be less money involved in fighting Monkey Pox than fighting covid, so maybe big pharma et al. will approach that with less zeal than it did covid. That may prove advantageous for Aethlon. Further, we are also starting to hear information about a new viral outbreak in China. The point is, in our view it is fair to say that covid will not be the last virus the world is forced to deal with, and covid has certainly raised the awareness of the importance of developing therapies to treat/mitigate future viruses. In that regard, it seems to us that therapies that might be applicable to any/all human viruses as well as their various mutstions, and/or those that may prove efficacious at various stages of disease progression, might be especially valuable.

That admittedly high-level view encompasses our continued (albeit more guarded) support for Aethlon. Moreover, the fact that they now have ostensibly 2 years of cash on hand, suggests that they may well be able to get a shot at a clinical trial in one virus or another before the cash runs out, and that may include accelerated enrollment in the current covid trial. In addition, given that the current market cap of Aethlon is not significantly more than the current cash position, investors are not paying much of a premium for (another) shot at the brass ring. We would add, from a purely technical view, the stock has demonstrated an ability to muster strong temporary rallies over time, especially around news regarding new viral outbreaks. Those episodes have provided some marked trading opportunities in the shares.

The above noted, given their inability to enroll trials to this point, as well as the additional dilution along the way, we have shifted our assumptions to the right, which has impacted our valuation conclusions. As a result, we are establishing a new (lower) 12-24 price target of *$4.25. Given the potential risk/reward opportunity afforded by the current market cap, we are also inclined to raise our allocation, but we would like to see some clinical progress (additional covid enrollments for instance) before we pull that trigger. We will revisit that notion.

<u>Projected Operating Model</u>

Aethlon Medical Inc.						
Projected Statement of Operations						
Prepared By: Trickle Research LLC						
	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	6/30/2022	**9/30/2022**	**12/31/2022**	**3/31/2023**	**Fiscal 2023**	**Fiscal 2024**
REVENUES:						
Grant Revenue	$ -	$ -	$ -	$ -	$ -	$ -
Product Sales	$ -	$ -	$ -	$ -	$ -	$ -
Cost of Sales	$ -	$ -	$ -	$ -	$ -	$ -
Gross Margin	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
OPERATING COSTS AND EXPENSES						
Professional fees	$ 844,028	$ 885,584	$ 885,627	$ 885,628	$ 3,500,866	$ 3,542,510
Payroll and related expenses	$ 1,029,686	$ 1,030,120	$ 1,042,481	$ 1,054,991	$ 4,157,279	$ 4,348,092
General and administrative	$ 1,032,367	$ 1,100,000	$ 1,100,000	$ 1,100,000	$ 4,332,367	$ 4,400,000
Other Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -
Total operating expenses	$ 2,906,081	$ 3,015,704	$ 3,028,108	$ 3,040,619	**$ 11,990,512**	**$ 12,290,602**
OPERATING LOSS	**$(2,906,081)**	**$(3,015,704)**	**$(3,028,108)**	**$(3,040,619)**	**$(11,990,512)**	**$(12,290,602)**
OTHER EXPENSE						
Loss on debt extinguishment	$ -	$ -	$ -	$ -	$ -	$ -
(Gain) on share for warrant exchanges	$ -	$ -	$ -	$ -	$ -	$ -
Interest and other expenses	$ -	$ -	$ -	$ -	$ -	$ -
Other Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -
Total other expense	$ -	$ -	$ -	$ -	$ -	$ -
NET LOSS BEFORE NONCONTROLLING INTERESTS	**$(2,906,081)**	**$(3,015,704)**	**$(3,028,108)**	**$(3,040,619)**	**$(11,990,512)**	**$(12,290,602)**
LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**$ (431)**	**$ -**	**$ -**	**$ -**	$ (431)	$ -
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	**$(2,905,650)**	**$(3,015,704)**	**$(3,028,108)**	**$(3,040,619)**	$(11,990,081)	$(12,290,602)
Basic net loss per share attributable to common stockholders	**$ (0.19)**	**$ (0.13)**	**$ (0.13)**	**$ (0.13)**	**$ (0.59)**	**$ (0.54)**
Basic and diluted net loss per share attributable to common stockholders	**$ (0.19)**	**$ (0.13)**	**$ (0.13)**	**$ (0.13)**	**$ (0.59)**	**$ (0.53)**
Weighted average number of common shares outstanding - basic	**15,486,621**	**22,676,383**	**22,699,060**	**22,721,759**	**22,699,067**	**22,782,403**
Weighted average number of common shares outstanding - basic and diluted	**15,486,621**	**22,676,383**	**22,699,060**	**22,721,759**	**22,699,067**	**23,349,070**

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Trickle Research co-sponsors two microcap conferences each year. Trickle Research encourages its coverage companies to present at those conferences and Trickle charges them a fee to do so. Companies are under no obligation to present at these conferences. **Aethlon Medical has paid fees to present at Trickle co-sponsored conferences and will encourage them to do so in the future.**

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.