

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2000

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 0-21846

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.)

7825 FAY AVENUE, SUITE 200, LA JOLLA, CA 92037

(Address of principal executive offices)

(Zip Code)

(858) 456-5777

(Registrant's telephone number, including area code)

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

Number of shares of common stock outstanding
on June 30, 2000 2,771,652

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Consolidated Balance Sheets (unaudited) at June 30, 2000
And March 31, 2000

Consolidated Statements of Operations (unaudited) for the three months ended
June 30, 2000 and June 30, 1999

Consolidated Statements of Cash Flows (unaudited) for the three months ended
June 30, 2000 and June 30, 1999

Consolidated Statement of Stockholders' Deficiency (unaudited)

Notes to Consolidated Financial Statements

ITEM 2. Management's Discussion and Analysis or Plan of Operation

PART II. OTHER INFORMATION

SIGNATURES

2

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

3

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 2000 (unaudited)	March 31, 2000	
ASSETS			
CURRENT ASSETS			
Cash	\$ 22,878	\$ 217,017	
Accounts receivable	69,011	61,495	
Prepaid expenses	26,948	36,940	
Employee advances	12,200	15,800	
	-----	-----	
Total current assets	131,037	331,252	
PROPERTY AND EQUIPMENT, NET		37,887	41,535
OTHER ASSETS			
Patents and trademarks, net	353,602	177,065	
Deferred debt expense, net	214,909	273,738	
Goodwill, net	1,593,575	495,088	

Other	1,330	1,330
	-----	-----
Total other assets	2,163,416	947,221
	-----	-----
Total assets	<u>\$ 2,332,340</u>	<u>\$ 1,320,008</u>

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES

Accounts payable:		
Trade	\$ 894,603	\$ 740,562
Related parties	234,464	234,324
Notes payable, net of discount	750,881	526,708
Accrued liabilities	210,822	201,631
Deferred compensation	329,835	329,835
	-----	-----
Total current liabilities	2,420,605	2,033,060

STOCKHOLDERS' DEFICIENCY

Common stock - \$.001 par value		
25,000,000 shares authorized,		
2,771,652 and 2,672,500 shares issued		
and outstanding	2,772	2,673
Additional paid in capital - common stock	4,066,809	3,290,865
Additional paid in capital - warrants and options	1,215,013	739,826
Deficit accumulated during development stage	(5,372,859)	(4,746,416)
	-----	-----
Total stockholders' deficiency	(88,265)	(713,052)
	-----	-----
Total liabilities and stockholders' deficiency	<u>\$ 2,332,340</u>	<u>\$ 1,320,008</u>

</TABLE>

See accompanying notes.

4

AETHLON MEDICAL, INC. AND SUBSIDIARIES (A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

	Three months ended June 30, 2000	Cumulative During Three months ended June 30, 1999	Development Stage through June 30, 2000
REVENUE			
<S>	<C>	<C>	<C>
Grant income	\$ --	\$ --	\$ 1,430,799
Subcontract income	--	--	73,746
Sale of research and development	--	--	35,810
Other income	21,321	--	52,318
Interest income	--	--	17,415
	-----	-----	-----
Total revenue	21,321	--	1,610,088
EXPENSES			
Interest and debt expense	314,198	615	830,044
Personnel costs	161,052	88,087	3,466,177

Professional fees	53,439	65,729	624,677	
Amortization-goodwill	41,186	--	53,881	
Rent and office expense	29,122	15,400	520,836	
Insurance	16,712	--	107,198	
Travel and meetings	12,745	3,840	156,900	
Laboratory supplies	6,482	--	108,865	
Miscellaneous	4,114	18	109,044	
Depreciation	4,045	2,325	138,963	
Amortization-patents	2,043	2,043	44,942	
Equipment and maintenance	1,967	--	167,289	
R & D consultation	--	--	240,463	
Subcontract expense	--	--	195,964	
Contractual costs	--	--	192,112	
Dues and subscriptions	--	--	13,596	
	-----	-----	-----	
Total expenses	647,105	178,057	6,970,951	
LOSS BEFORE INCOME TAXES		(625,784)	(178,057)	(5,360,863)
PROVISION FOR INCOME TAXES		659	56	11,996
	-----	-----	-----	-----
NET LOSS	\$ (626,443)	\$ (178,113)	\$ (5,372,859)	

PER SHARE:

Net loss	\$ (0.23)	\$ (0.07)	\$ (3.86)
Weighted average number of common shares outstanding	2,771,652	2,686,500	1,392,510

</TABLE>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Three months ended June 30, 2000	Cumulative During Three months ended June 30, 1999	Development Stage through June 30, 2000
	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (626,443)	\$ (178,113)	\$ (5,372,859)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	4,045	2,325	138,963
Amortization-patents & goodwill		43,229	2,043
Amortization-debt expense & note discount		280,399	--
Services paid by issuance of warrants		--	5,000
Deferred compensation forgiven		--	217,223
(Increase) decrease in assets:			
Accounts receivable and advances		(3,916)	--
Prepaid expenses	9,992	--	(26,948)
Other assets	--	--	(1,329)
Increase (decrease) in liabilities:			
Accounts payable	(4,374)	29,204	593,610
Accrued liabilities	9,192	77,284	278,061
Deferred compensation	--	7,815	329,834
	-----	-----	-----
Net cash used by operating activities	(287,876)	(59,442)	(3,206,611)

CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(2,500)	--	(173,404)
Sale of equipment	4,000	--	4,000
Purchase of patents	(11,299)	--	(131,863)
Cash of acquired company	2,286	--	10,728
	-----	-----	-----
Net cash used by investing activities	(7,513)	--	(290,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in notes payable	112,500	60,000	1,165,000
Deferred debt costs	(11,250)	--	(126,000)
Loans from stockholders	--	--	370,384
Advances from affiliate	--	--	122,100
Proceeds from issuance of common stock	--	--	1,988,544
	-----	-----	-----
Net cash provided by financing activities	101,250	60,000	3,520,028
NET INCREASE IN CASH	(194,139)	558	22,878
CASH, BEGINNING	217,017	3,052	--
	-----	-----	-----
CASH, END	\$ 22,878	\$ 3,610	\$ 22,878
	=====	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH
FLOW INFORMATION

Cash paid during the period for:

Interest	\$ 4,703	\$ --	\$ 47,010
Income taxes	\$ 3,570	--	10,732

SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES

Loans converted to common stock of Hemex	\$ --	\$ --	\$ 435,094
Net assets of entities acquired in exchange for the issuance of common stock and options	\$ 1,174,677	\$ --	\$ 1,813,691
Patent acquired for 12,500 shares of common stock	\$ --	\$ --	\$ 100,000
Debt placement fees paid by issuance of warrants	\$ 22,094	\$ --	\$ 268,207
Allocation of note proceeds to note discount	\$ 76,553	\$ --	\$ 811,379

</TABLE>

See accompanying notes.

6

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	PAID IN AMOUNT	PAID IN CAPITAL	CAPITAL- WARRANTS	ACCUMULATED DEFICIT	TOTAL
	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT MARCH 31, 2000		2,672,500	\$ 2,673	\$ 3,290,865	\$ 739,826	\$(4,746,416) \$ (713,052)
Issuance of common stock and options for acquisition of Cell Activation	99,152	99	775,944	398,634	1,174,677	
Warrants to acquire common stock issued with promissory notes			76,553		76,553	
Net loss for the three months ended June 30, 2000				(626,443)	\$(626,443)	
	-----	-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2000	2,771,652	\$ 2,772	\$ 4,066,809	\$ 1,215,013	\$(5,372,859)	\$ (88,265)

</TABLE>

See accompanying notes.

7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2000

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Aethlon Medical, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ending March 31, 2001. For further information, refer to the Company's Annual Report on Form 10-KSB for the year ended March 31, 2000, which includes audited financial statements and footnotes as of and for the years ended March 31, 2000 and 1999.

The consolidated financial statements include the accounts of Aethlon Medical, Inc. and its wholly owned subsidiaries, Hemex, Inc., Aethlon, Inc., Syngen Research, Inc., and Cell Activation, Inc. Syngen Research and Cell Activation are doing business as Aethlon Laboratories, Inc. All significant intercompany balances and transactions have been eliminated.

NOTE 2. CAPITAL TRANSACTION

On April 10, 2000, the Company acquired all the outstanding common stock of Cell Activation, Inc. ("Cell") in exchange for 99,152 shares of common stock of the Company. In addition, all the outstanding stock options of Cell were exchanged for options to purchase 50,848 shares of common stock of the Company for \$.3933 per share. The options expire in 2007. The acquisition has been accounted for using the purchase method of accounting whereby the results of operations of Cell since the date of acquisition have been included in the accompanying Statement of Operations. The excess of the purchase price over the tangible assets acquired has been allocated \$167,281 to patents and trademarks and \$1,139,674 to goodwill. Patents will be amortized over their lives from date of issuance, and goodwill will be amortized over ten years. Had the Cell acquisition taken place on April 1, 1999, the impact on the Company's results of operations for the three months ended June 30, 1999 would have been immaterial.

NOTE 3. NOTES PAYABLE

During the quarter ended June 30, 2000, the Company issued additional one-year promissory notes in the principal amount of \$112,500. Detachable warrants to purchase 56,250 shares of the Company's common stock were issued in connection with these notes. Of the note proceeds, \$76,553 was allocated to the warrants and recorded as note discount. The note discount is being amortized as additional interest expense over the one-year term of the related notes.

8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

PLAN OF OPERATION

The Company is in the initial stages of its operations and has not yet engaged in significant commercial activities. During the fiscal year ending March 31, 2001, the Company plans to continue its research and development activities relating to the Hemopurifier(TM), and commence clinical trials for the device to remove iron from the blood.

The implementation of the Company's business plan is dependent upon its

ability to raise equity capital. During the fiscal year ended March 31, 2000 and the quarter ended June 30, 2000, the Company financed its research and development activities through the private placement of approximately \$1,100,000 principal amount of 12-month notes bearing interest at 12% per annum. The Company has entered into an agreement with an investment banking firm under which the firm will use its best efforts to sell \$10 million of the Company's common stock in a private placement offering. The Private Placement Memorandum was issued in July 2000. The Company believes that the successful completion of the stock offering will satisfy the Company's anticipated capital requirements related to the development of its business for three years; however, additional financing may be required in the case of further acquisitions or to successfully develop other technologies. At the present time, the Company has no plans to purchase significant amounts of equipment or hire significant numbers of additional employees prior to the successful completion of the private placement of its common stock.

FORWARD LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-QSB are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended ("the Securities Act"), and Section 21E of the Securities Exchange Act of 1934 ("the Exchange Act"). Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Aethlon Medical, Inc. ("the Company") to be materially different from any future results, performance, or achievements expressed or implied by such forward looking statements contained in this Form 10-QSB. Such potential risks and uncertainties include, without limitation, completion of the Company's capital-raising activities, FDA approval of the Company's products, other regulations, patent protection of the Company's proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors detailed herein and in other of the Company's filings with the Securities and Exchange Commission. The forward-looking statements are made as of the date of this Form 10-QSB, and the Company assumes 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.

9

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None

(b) During the quarter ended June 30, 2000, the Company filed a Form 8-K, dated April 10, 2000, to report the acquisition of all the outstanding common

stock of Cell Activation, Inc.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AETHLON MEDICAL, INC

Date: August 14, 2000

/s/ Franklyn S. Barry, Jr.

Franklyn S. Barry, Jr., President

10

EXHIBIT INDEX

27. Financial Data Schedule.

11

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTIANS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF AETHOLON MEDICAL, INC. FOR THE THREE MONTHS ENDED JUNE 30, 2000

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