MEDIFOCUS INC.

Interim Consolidated Financial Statements
For The Three Months Ended June 30, 2009 and 2008

NOTICE

The accompanying un-audited interim consolidated financial statements of Medifocus Inc. for the three months ended June 30, 2009 and 2008 have been prepared by management and approved by the Board of Directors of the Company.

These statements have not been reviewed by the external auditors of the Company.

MEDIFOCUS INC.

CONSOLIDATED BALANCE SHEET

As at	**June 30, 2009**	March 31, 2009
	$	$
ASSETS		
Current		
Cash and cash equivalents	**963,003**	1,946,578
Prepaid expenses and sundry assets	**38,352**	27,433
Total current assets	**1,001,355**	1,974,011
Product development charges *[note 2]*	**2,120,053**	1,909,550
Fixed assets, net *[note 5]*	**28,193**	31,393
	3,149,601	3,914,954
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	**465,069**	787,157
Due to Celsion Corporation *(USA)*	—	249,900
Convertible promissory debt *[note 6]*	**221,953**	231,470
Total current liabilities	**687,022**	1,268,527
Long term		
Due to employees and consultants *[note 14]*	**516,869**	558,675
Shareholders' equity (deficiency)		
Capital stock *[note 7]*	**3,385,892**	3,385,892
Common shares to be issued *[note14]*	**463,816**	463,816
Accumulated deficit	**(1,903,998)**	(1,761,956)
Total shareholders' equity (deficit)	**1,945,710**	2,087,752
	3,149,601	3,914,954

See accompanying notes

On behalf of the Board:

Director	Director
Joe K.F. Tai	*Dr. Augustine Cheung*

MEDIFOCUS INC.
CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

For the three months Ended	June 30, 2009	June 30, 2008
	$	*$*
Revenue	**9,970**	—
Operating Expenses		
Business development	**137,723**	—
General and administrative	**73,394**	141,156
Professional fees	**111,761**	—
Listing fees	**3,897**	—
Accretion of discount	—	18,746
Interest	**9,238**	71,319
Foreign exchange (gain) loss	**(187,201)**	—
Amortization	**3,200**	3,512
	152,012	234,733
Net loss and comprehensive loss	**(142,042)**	(234,733)
Accumulated deficit, beginning of period	**(1,761,956)**	(2,383,716)
Accumulated deficit, end of period	**(1,903,998)**	(2,618,449)
Basic and fully diluted loss per share	**(0.005)**	(2,270.36)
Weighted average number of common shares outstanding *[note 10]*	**24,336,445**	103.39

See accompanying notes

MEDIFOCUS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended	*June 30, 2009*	*June 30, 2008*
	$	*$*
OPERATING ACTIVITIES		
Net loss for the period	**(142,042)**	(234,733)
Items not involving cash		
Amortization	**3,200**	3,512
Accretion of discount	—	18,746
Foreign exchange (gain) loss	**(187,201)**	—
Net change in non-cash working capital balances related to operations *[note 9]*	**(423,424)**	(284,616)
Cash provided by operating activities	**(749,467)**	(497,091)
INVESTING ACTIVITIES		
Additions to product development charges	**(210,503)**	(173,956)
Cash used in investing activities	**(210,503)**	(173,956)
FINANCING ACTIVITIES		
Issuance of common shares, net of transaction costs	—	—
Issuance of common shares for exercise of warrants	—	—
Convertible promissory notes	—	660,073
Due to employees and consultants	**(41,806)**	—
Cash provided by (used in) financing activities	**(41,806)**	660,073
Net increase in cash and cash equivalents during the period	**(983,575)**	(10,974)
Cash and cash equivalents, beginning of period	**1,946,578**	10,974
Cash and cash equivalents, end of period	**963,003**	—

See accompanying notes

1. NATURE OF OPERATIONS

(a) The Company and its Operations

Medifocus Inc. [the "Company"] was incorporated under the *Business Corporations Act* (Ontario) on April 25, 2005. Prior to completion of the Reverse Takeover [the "Acquisition"] with Celsion (Canada) Limited ["Celsion"] as discussed below, the Company was classified as a capital pool company pursuant to the policies of the TSX Ventures Exchange [the "Exchange"]. The company was a non-operating public enterprise and did not meet the definition of a business under the provision of EIC –124; therefore the Acquisition did not constitute a business combination under the provisions of EIC- 10. Accordingly, the Acquisition has been accounted for as a capital transaction rather than a business combination.

Reverse Takeover

On November 25, 2008, the Company completed its Qualifying Transaction, as defined under the policies of the Exchange, by way of a Share Exchange Agreement with Celsion (Canada) Limited.

Pursuant to the terms and subject to the conditions of the Share Exchange Agreement, the company paid $165,000 and issued an aggregate of 11,200,000 Medifocus Shares at a deemed issue price of $0.50 per share to the shareholders of Celsion. The Share Exchange Agreement was negotiated at arm's length among Medifocus, Celsion and the shareholders of Celsion. An additional 100,000 common shares were issued to Infund Management Limited for past services rendered to Celsion.

Following the Qualifying Transaction, Celsion is a wholly-owned subsidiary of the Company. The Company will carry on the business of Celsion under current Celsion management. Dr. Augustine Cheung will serve as chief executive officer and director, and John Mon will serve as chief operating officer of the Company.

In addition 903,112 units, valued at $0.50 per unit were issued to Celsion Corporation *(USA)* in respect of a portion of the indebtedness previously incurred by Celsion following its acquisition from Celsion Corporation *(USA)* of the business now being carried by Celsion and 763,168 units were issued to the holders of the 2006 Bridge Notes Payable of Celsion with respect to the conversion of $310,556 in principal amount of such notes, plus accrued interest (on the same terms and conditions as the units being offered in connection with the private placement described below), valued at $0.50 per unit.

Concurrently with the closing of the Qualifying Transaction, the Company completed a private placement of 4,140,755 units, at a price of $0.50 per unit, for aggregate gross proceeds of $2,070,377.50. Each unit consists of one common share of Medifocus and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of Medifocus for a period of 24 months at a price per share of $0.60.

(b) The Stock Purchase Agreement and Asset Acquisition

On January 16, 2006 Celsion purchased from Celsion Corporation *(USA)* all of the assets relating to breast cancer Microfocus APA 1000 System ("System"), consisting of the microwave machine, the adaptive phased array ("APA") technology licensed from Massachusetts Institute of Technology ("MIT"), and all related intellectual and regulatory property (collectively, the "Business"). The Company has a commitment to pay a 5% royalty on the net sales of products sold by and patent royalties received by the Company and its successors and assignees, the royalty not to exceed US $18,500,000. Royalties will not be payable until the System can be placed in the market following successful completion of the pivotal clinical trial and receipt of approval to market the System in the US and Canada from the FDA and Health Canada. The Company will expense the royalties as paid. Celsion Corporation *(USA)* also agreed to provide certain services and financing to Celsion pursuant to a Transition Services Agreement between Celsion and Celsion Corporation *(USA)*.

(c) The Transition Services Agreement

The Transition Services Agreement was entered into January 16, 2006 by and between the Celsion and Celsion Corporation *(USA)*, amended March 28, 2006 and March 5, 2008, and as amended provides for the following:

- sublease of space in Celsion Corporation *(USA)*'s offices for use by the Company to carry on its business, for a period of up to six (6) months from the date of the agreement.
- administrative support services as needed in the operation of the Company's business for the period of the sublease.
- payment of salary and benefits totaling approximately $45,000 per month, for the shorter of: (1) the period ending June 30, 2006; or (2) the date of closing by the Company of a funding transaction.
- funding to the Company for expenses reasonably incurred in connection with the operation of the Company's business, for the shorter of the period ending June 30, 2006 or the date of closing of a funding transaction; provided that the aggregate funding for such expenses will not exceed $300,000. Celsion Canada is required to pay interest on expenses advanced above $100,000 at the rate of prime + 1%.

On November 25, 2008 Celsion Corporation *(USA)* converted all but US $200,000 of the debt into shares of Medifocus upon its Qualifying Transaction. Concurrent with the Qualifying Transaction, the Company issued 903,112 units to convert $570,000 of the debt.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements have been prepared within the framework of the significant accounting policies summarized below:

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions, particularly with respect to the valuation of mineral properties and deferred costs, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of commercial accounts, trust accounts and interest bearing bank deposits with remaining maturities of 90 days or less at the time of purchase. As at June 30, 2009, the Company's cash and cash equivalents total $963,003.

Property and Equipment

Property and equipment are recorded at cost less specifically related tax credits and are amortized on a declining balance basis over the estimated useful lives of the assets, as follows:

Furniture and fixtures	20%
Equipment	20% - 30%

Leasehold improvements are amortized on a straight line basis over the lesser of the lease term and 6 years.

Patents and Licenses

The Company capitalizes the cost of acquiring patents and licenses from third parties.

Product Development Charges

The Company capitalizes the cost of preparing the Microfocus APA 1000 System to enter a pivotal clinical trial, and the design of the trial, and will amortize that cost over the useful life of the APA System patents once the APA System is approved and placed in service. These charges are tested for impairment by comparing its net book value with the undiscounted projected future cash flows from their use. No amortization expense was recognized through June 30, 2009 because the APA Systems have not been placed into service.

Research and Development Costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless such costs meet the criteria for capitalization and amortization under Canadian GAAP. Refundable income tax credits earned on Scientific Research and Experimental Development (SR&ED) expenditures are recorded as a reduction of research costs in the year the research costs are incurred.

Tax Credits and Other Government Assistance Recoverable

The benefits of tax credits for SR&ED and Government Assistance are recorded in the year as reductions to the related expenses or capital costs and recognized only when there is reasonable assurance that the Company has complied with all the terms and conditions of the relevant tax credit program and the credits will be recovered.

Income Taxes

The Company follows the liability method of accounting for future income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted or substantively enacted income tax rates and laws in effect when the differences are expected to reverse. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by the use of a valuation allowance which is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Stock Based Compensation

The Company has adopted Section 3870 of the CICA Handbook relating to stock based compensation and other stock based payments made in exchange for goods and services. It requires accounting for stock based payments using the fair value based method of accounting to determine the value of options granted. The fair value of stock options granted is recognized on a straight-line basis over the applicable vesting period as an expense in the statements of loss and deficit and as contributed surplus on the balance sheet. On the exercise of stock options, consideration received and the respective accumulated contributed surplus amount are credited to share capital.

Shares Issued for Commercial Transactions

Shares issued for commercial transactions are valued based on the value of the transaction. If that is not readily determinable, the fair value of shares at the time of the transaction is used as the basis for determination of the amount to be attributed to the related shares issued.

Loss Per Share

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding during the period.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in determination of net loss for the year.

Comprehensive income

Section 1530 establishes standards for reporting and display of comprehensive income. Unrealized gains or losses on available-for-sale investments, and the effective portion of gains or losses on derivatives designated as cash flow hedges and hedges of the net investment in self-sustaining foreign operations are included in other comprehensive income ("OCI") and accumulated other comprehensive income ("AOCI") is included as a separate component of equity. The Company had no such OCI or AOCI for the periods presented.

Deferred financing costs

Incremental costs incurred in respect of raising share capital are charged against equity proceeds raised.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted recommendations of CICA Handbook Section 3863, Financial Instruments – Presentation; 3862, Financial Instruments – Disclosures; and 1535, Capital Disclosure. As required by the standards, the changes in policies have been applied retrospectively with no restatement of prior periods.

(a) Financial instruments

Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading (assets and liabilities), available-for-sale financial assets, loans and receivables, held-to-maturity financial assets, and other financial liabilities. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading items in which case they are expensed as incurred. All financial instruments are initially measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument.

(b) Held-for-trading (assets or liabilities)

This category is comprised of certain investments in equity and debt instruments, stand-alone derivatives, other than those designated as hedging items, and embedded derivatives requiring separation. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

(c) Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

(d) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

(e) Available-for-sale investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise certain investments in equity instruments, including a company's investments in private companies. When they have a quoted market price in an active market, they are carried at fair value with changes in fair value recognized as a separate component of other comprehensive income. When they do not have a quoted market price in an active market, they are carried at cost. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the income statement.

(f) Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables, other short-term monetary liabilities, and the debt element of convertible debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset/Liability	Category	Measurement
Cash	Held-for-trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Interest payable	Other liabilities	Amortized cost
Due to Celsion Corporation (USA)	Other liabilities	Amortized cost
Convertible promissory notes	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaid expenses and sundry assets, property and equipment, and product development charges are not within the scope of the new accounting standards as they are not financial instruments.

Hedges

The Company may use derivative instruments to manage foreign exchange and interest rate risk. The Corporation may choose to designate derivative instruments as hedges.

- Cash flow hedges – The effective portion of the changes in fair value of financial instruments designated as a cash flow hedge is recognized in OCI, net of tax, with any ineffective portion being recognized immediately in net income. Gains and losses are recovered from OCI and recognized in net income in the same period as the hedged item affects net income. If at any point the hedged transaction is no longer expected to occur, the cumulative gain or loss recognized in AOCI is reclassified to net income immediately.

- Fair value hedges – Both the financial instrument designated as the hedging item, and the underlying hedged asset or liability are measured at fair value. Changes in the fair value of both the hedging and hedged item are reflected in net income immediately. The carrying value of the hedged item is adjusted through net income for changes in its fair value attributable to the hedged risk.

- Net investment hedges – Foreign exchange gains and losses on debt designated as a net investment hedge are recognized in OCI, net of tax, to the extent the hedge is effective. The ineffective portion of such hedges is recognized in net income.

The Company had no such hedges for the three months ended June 30, 2009 and June 30, 2008.

Financial Instruments – Disclosure and Presentation

In December 2006, the CICA issued Section 3863, "Financial Instruments – Presentation", to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. This Section replaces the existing requirement on the presentation of financial instruments which have been carried forward unchanged. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

In March 2007, the CICA issued Section 3862, "Financial Instruments – Disclosures", which replaces Section 3861 and provides expanded disclosure to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. This new section will place increased emphasis on disclosure regarding the nature and extent of risks arising from financial instruments and how the Corporation manages those risks. This standard harmonizes disclosures with International Financial Reporting Standards.

The adoption of these standards had no impact on the Company's results of operations and cash flows.

Capital Disclosures

In December 2006, the CICA issued Section 1535, “Capital Disclosures”, which establishes guidelines for the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This enhanced disclosure enables users to evaluate the entity’s objectives, policies, and processes for managing capital. This information is provided in Note 17, Capital Disclosure.

4. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In May 2007, the CICA published an updated version of its “Implementation Plan for Incorporating International Financial Reporting Standards (“IFRS”) into Canadian GAAP”. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting principles with IFRS. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. The purpose of this Section is to establish recognition, measurement, and disclosure of goodwill and intangible assets and to provide more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The Section substantially harmonizes Canadian standards with International Financial Reporting Standards and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. It is not expected to have a material impact on the Company’s financial statements.

5. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following:

	June 30, 2009			March 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	$	$	$	$	$	$
Equipment	46,995	32,028	14,967	46,995	30,228	16,767
Furniture and fixtures	20,464	12,255	8,209	20,464	11,255	9,209
Leasehold improvements	10,600	5,583	5,017	10,600	5,183	5,417
	78,059	49,866	28,193	78,059	46,666	31,393

6. FUNDING ARRANGEMENTS

Prior to completing the Qualifying Transaction, Celsion raised bridge financing in two transactions. The first bridge financing was done in 2006, which raised the principal amount of USD $279,500. The bridge financing investors paid for promissory notes from the Company at a 10% discount to their maturity value (the notes aggregate USD $310,556 in principal maturity value) and pay interest at 1% per month or portion thereof on the maturity value. The maturity value and accrued interest were converted into common stock of the Company on November 25, 2008 with the issuance of 763,168 units. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 24 months at a price per share of $0.60.

In 2007 the Company raised additional bridge financing of USD $150,000. The bridge financing lender received a promissory note from the Company for USD $150,000 with interest payable at 1.5% per month on the face value. The face value and accrued interest are payable December 21, 2009. The lender may convert the balance due into common stock of the Company at a discount to market as approved by the TSX-V.

7. CAPITAL STOCK

(a) Share capital

Authorized share capital consists of unlimited common shares with no par value.
The continuity of share capital is as follows:

	Number #	Amount $
Celsion common shares, March 31, 2007	103.38	52,081
Reversal of Celsion common shares	(103.38)	
Medifocus common shares, March 31, 2008	6,650,000	1,125,000
Shares issued on exercise of warrants *[i]*	429,410	85,882
Effect of reorganization *[ii]*		(1,125,000)
		(165,000)
Medifocus shares issued in exchange of Celsion shares *[ii]*	11,200,000	
Shares issued for debt settlement *[iii]*	1,666,280	1,374,733
Shares issued in payment of professional fees *[iv]*	250,000	125,000
Shares issued in private placement, net of transaction costs *[v]*	4,140,755	1,913,196
Balance, June 30, 2009	**24,336,445**	**3,385,892**

[i] On July 12, 2008, 429,410 broker warrants were exercised for proceeds of $85,882, and 30,590 broker warrants expired unexercised.

[ii] On November 25, 2008, the Company completed its Qualifying Transaction *[see note 1]* with a Reverse Takeover of Celsion. Pursuant to the terms and subject to the conditions of the Share Exchange Agreement, the Company paid $165,000 and issued an aggregate of 11,200,000 Medifocus Shares at a deemed issue price of $0.50 per share to the shareholders of Celsion.

[iii] On November 25, 2008, concurrently with the Acquisition, the Company issued 903,112 units, valued at $0.50 per common share to Celsion Corporation *(USA)* in respect of a portion of the indebtedness previously incurred by Celsion following its acquisition from Celsion Corporation *(USA)* of the business now being carried by Celsion and 763,168 units were issued to the holders of the 2006 Bridge Notes of Celsion with respect to the conversion of $310,556 in principal amount of such notes, plus accrued interest (on the same terms and conditions as the units being offered in connection with the private placement described in note [v] below), valued at $0.50 per unit.

[iv] On November 25, 2008, the Company issued 250,000 common shares in payment of professional fees incurred in the completion of the Acquisition and Reverse Takeover.

[v] On November 25, 2008, the Company completed a private placement of 4,140,755 units, at a price of $0.50 per unit, for aggregate gross proceeds of $2,070,377.50. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 24 months at a price per share of $0.60.

As at June 30, 2009, the Company had the following warrants outstanding:

	Purchase warrants			
	Number #	**Exercise price** $	**Expiry date** #	**Year of issue**
Share purchase warrants	**763,168**	**0.60**	11/25/2010	2008
Warrants	**1,666,280**	**0.60**	11/25/2010	2008
Broker warrants	**4,140,755**	**0.60**	11/25/2010	2008
Outstanding, end of period	**6,570,203**			

The weighted average exercise price of the outstanding warrants as at June 30, 2009 was $0.60.

8. STOCK OPTIONS

The Company will grant stock options to directors, officers and employees. The exercise price will reflect the estimated fair market value of the Company's stock on the date of the grant. The Board plans to establish a maximum number of stock options issuable to employees and board members.

A summary of the status of the Plan as at June 30, and changes during the period is presented below:

	June 30, 2009		March 31, 2009	
	Number #	**Weighted average exercise price** $	**Number** #	**Weighted average exercise price** $
Outstanding, beginning of p	**665,000**	**0.20**	**1,125,000**	**0.20**
Forfeited	—	—	**(30,590)**	**0.20**
Exercised	—	—	**(429,410)**	—
Granted	—	—	—	—
Outstanding, end of period	**665,000**	**0.20**	**665,000**	**0.20**
Options exercisable, end of period	**665,000**		**665,000**	

The following table summarizes information about stock options outstanding at June 30, 2009:

Options outstanding			
Exercise price $	**Options outstanding** #	**Weighted average remaining contractual life** [years]	**Options exercisable** #
0.20	**665,000**	2.25	665,000

9. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2009 $	**2008** $
Prepaid expenses	**(10,919)**	(5,739)
Accounts payable and accrued liabilities	**(153,088)**	1,597,099
Interest payable	—	71,210
Due to Celsion Corporation	**(249,900)**	31,896
Convertible promissory debt	**(9,517)**	173,400
	(423,424)	1,867,866

The Company paid interest expense of $9,238 during the period.

10. DILUTED EARNINGS PER SHARE

The computation of loss per common share for the three month periods ended June 30, 2009 and 2008 are as follows:

	June 30, 2009 $	**June 30, 2008** $
Net loss	**(328,623)**	(1,213,368)
Weighted average number of shares outstanding	**8,606,180**	103.39
Basic and diluted loss per share	**(0.038)**	(11,735.84)

11. RELATED PARTY TRANSACTIONS

Included in long-term liabilities is approximately $130,018 owed to the Chief Executive Officer for past salary and un-reimbursed expenses.

The Company has paid marketing fees of $75,000 and administrative fees of $12,000 to two Companies in which a Director of Medifocus is also a Director.

12. COMMITMENTS

The Company has a contractual commitment to pay a royalty to Celsion Corporation *(USA)* on the net sales of products as explained in Note 1. The Company has a commitment to pay a 5% royalty to MIT on the net sales of products. Neither the royalty payable to Celsion Corporation *(USA)* or to MIT are payable until the System can be placed in the market following successful completion of the pivotal clinical trial and receipt of approval to market the System in the US and Canada from the FDA and Health Canada. The Company will expense the royalties as paid. The contractual commitments of the Company obligating it for payments currently are its license agreement with MIT and the lease pertaining to its space in Columbia, Maryland.

Future minimum payments under operating leases and contractual commitments for the following five (5) years are as follows:

	$
2009	86,851
2010	119,280
2011	122,838
2012	126,566

13. INCOME TAXES

The future income tax assets and liabilities consist of the following:

	June 30, 2009 $	March 31, 2009 $
Future income tax assets		
Non-capital losses carried forward	**1,123,286**	**1,072,186**
Capital assets	**17,950**	**16,800**
Other	**57,520**	**57,520**
Gross future income tax assets	**1,198,756**	**1,146,506**
Valuation allowance	**(1,198,756)**	**(1,146,506)**
Net future income assets	**-**	-

In addition, the Company also has non-capital losses totaling approximately $3,120,000 that have not been tax benefited and expire as follows:

	$
2026	770,533
2027	1,206,770
2028	460,215
2029	682,482
	3,120,000

No future tax assets or liabilities have been recognized in these financial statements as there is no assurance that the Company will realize the benefits of loss carry forwards.

The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates to loss before income taxes as a result of the following:

	2009	2008
	$	$
Loss before income taxes	**(142,042)**	(234,733)
Income tax recovery expected at average statutory rate	**(51,135)**	(84,500)
Unrecorded tax benefit of losses	**51,135**	84,500
Income tax expense (recovery)	**-**	-

14. DUE TO EMPLOYEES AND CONSULTANTS

The Company has liabilities of $516,869 owing to employees and consultants for past compensation. Of this amount, $172,982 bears interest at 10% per annum and is payable by April 1, 2011. Accrued interest of $18,740 to June 30, 2009 is included in the total liability.

The Company also has agreed with some employees and consultants to pay $260,819 owing to these employees in 4 equal payments each concurrent with the Company raising one million dollars in financing. The Company has made one payment and has recognized the balance of $195,615 as a long-term liability.

15. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, convertible debt due to Celsion USA, and convertible promissory notes. Unless otherwise noted, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The fair value of cash, accounts payable, accrued liabilities and debt due to Celsion USA approximates their carrying values, due to their short-term maturity.

The carrying value of convertible promissory notes approximates fair value, as the interest rate is consistent with current notes offered to the Company for debts under similar terms.

Credit Risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company is not presently subject to this risk as it is a development stage company.

Market Risk

The prices paid by the Company for services and supplies are paid primarily in U.S. dollars and the Company is raising funds in Canadian dollars. Given the exchange rate trend, the Company believes the exchange risk is limited and not a risk to be hedged at the present time.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market rates. The Company borrowing is at fixed rates on all obligations except a portion of the debt due Celsion USA (as described in Note 1). Celsion USA has agreed to convert all but $200,000 of the debt, which amount is anticipated to be paid at the end of August 2009. Therefore, the Company considers itself to have very minimal exposure to interest rate risk.

Liquidity Risk

Liquidity risk includes the risk that the Company will not be able to meet operational liquidity requirements to conduct its business of commercializing the APA System for the treatment of cancer.

The Company's operating cash requirements include amounts necessary to conduct its pivotal clinical trial to obtain regulatory approval to commercialize the APA System in North America. The Company is currently pursuing closing the funding transaction described in Note 7 to address its liquidity risk.

Capital Risk

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company is managing its capital structure to convert to equity as much of its current debt as possible and will issue equity to obtain funding to initiate its pivotal clinical trial (see Note 13). The Company is not subject to any externally imposed capital requirements. The Company's objective is to insure adequate working capital to commercialize its APA System for the treatment of cancer and will use the sale of equity to fund its business to the point of revenue generation and asset based borrowing being sufficient to fund the business fully.

16. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the presentation adopted at June 30, 2009.

17. SUBSEQUENT EVENT

Subsequent to the end of the period, the Company finalized its agreement to convert $2,370,863 of liabilities payable to employees, consultants and other vendors by issuing 3,092,105 common shares. The Company has recorded the value of $463,816 for the shares and recognized a gain on the settlement of debt of $1,907,047 as at March 31, 2009.