

**MEDIFOCUS INC.**  
**(A Capital Pool Company)**

**INTERIM FINANCIAL STATEMENTS**

**For the period from April 1, 2008 to September 30, 2008**

**UNAUDITED**

**Medifocus Inc.**  
(A Capital Pool Company)

**Balance Sheet**

As at September 30, 2008 with comparative figures from March 31, 2008

(UNAUDITED)	September 30, 2008	March 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$88,018	\$2,190
Short term Investments (Note 3)	946,010	945,706
Recoverable taxes	315	2,487
	\$1,034,343	\$950,383
<b>Liabilities</b>		
Accounts Payable	41,815	0
<b>Shareholders' Equity</b>		
Capital Stock (Note 4)	\$1,210,882	\$1,125,000
Retained Earnings (Deficit)	(218,354)	(174,617)
	\$992,528	\$950,383
	\$1,034,343	\$950,383

**Approved on behalf of the Board**

(signed) "Herbert S. Gasser" – Director

(signed) "Maurice J. Colson" – Director

See accompanying notes.

**Medifocus Inc.**  
(A Capital Pool Company)

**Statement of Income and Retained Earnings**

For the Periods Ending September 30, 2008 with comparisons to September 30, 2007

<b>(Unaudited)</b>	<b>3 months ended September 30, 2008</b>	<b>3 months ended September 30, 2007</b>	<b>6 months ended September 30, 2008</b>	<b>6 months ended September 30, 2007</b>
<b>Revenue:</b>				
Interest income	<b>\$3,553</b>	\$7,563	<b>\$11,107</b>	\$14,913
<b>Expenses:</b>				
Accounting & legal expenses	<b>6,865</b>	4,745	<b>46,965</b>	5,402
Listing expenses	<b>0</b>	1,988	<b>5,550</b>	1,988
CDS Fees	<b>0</b>	1,595	<b>0</b>	1,595
Transfer agent fees	<b>1,626</b>	672	<b>2,329</b>	1,195
	<b>8,491</b>	9,000	<b>54,844</b>	10,180
<b>Net income (loss)</b>	<b>(4,938)</b>	(1,437)	<b>(43,737)</b>	4,733
<b>Retained Earnings (Deficit) at the Beginning of the Period</b>	<b>\$ (213,416)</b>	\$ (153,545)	<b>\$ (174,617)</b>	\$ (159,715)
<b>Retained Earnings (Deficit) at the End of the Period</b>	<b>\$ (218,354)</b>	\$ (154,982)	<b>\$ (218,354)</b>	\$ (154,982)
<b>Earnings (loss) per Share</b>	<b>\$ (0.0007)</b>	\$ (0.0002)	<b>\$ (0.0062)</b>	\$0.0007
<b>Earnings (loss) per Share, Fully Diluted</b>	<b>\$ (0.0006)</b>	\$ (0.0002)	<b>\$ (0.0056)</b>	\$0.0006

See accompanying notes.

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**Statement of Cash Flows**

For the Periods Ending September 30, 2008 with comparisons to September 30, 2007.

<b>(Unaudited)</b>	<b>3 months ended September 30, 2008</b>	<b>3 months ended September 30, 2007</b>	<b>6 months ended September 30, 2008</b>	<b>6 months ended September 30, 2007</b>
<b>Cash Flows from Operating Activities:</b>				
Net income (loss)	\$ (4,938)	\$ (1,437)	\$ (43,737)	\$4,733
Increase (decrease) in operating liabilities:				
Recoverable taxes	2,020	(350)	2,172	(160)
Accounts Payable and Accrued Liabilities	-	-	41,815	-
	(2,918)	(1,787)	250	4,573
<b>Cash Flows from Investing Activities:</b>				
Short term investments	(49,376)	(1,140)	(304)	(959)
<b>Cash Flows from Financing Activities:</b>				
Common shares	85,882	-	85,882	-
<b>Increase (Decrease) in Cash and Cash equivalents</b>	<b>33,588</b>	<b>(2,927)</b>	<b>85,828</b>	<b>3,614</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>\$54,430</b>	<b>\$28,794</b>	<b>\$2,190</b>	<b>\$22,253</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>\$88,018</b>	<b>\$25,867</b>	<b>\$88,018</b>	<b>\$25,867</b>

See accompanying notes.

Medifocus Inc.  
(A Capital Pool Company)  
Notes to Interim Financial Statements  
September 30, 2008  
Unaudited

**1. NATURE OF THE CORPORATION**

Medifocus Inc. (the “Company”) is a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. The Company has not commenced commercial operations. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Company was incorporated under the *Business Corporations Act* (Ontario) on April 25, 2005. The Company, under the rules of the TSX Venture Exchange can only use a maximum of 30% of gross proceeds raised from issuance of share capital and has 24 months to identify an appropriate business for acquisition or investment.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Financial Instruments**

In management’s opinion, the carrying amount of financial instruments approximates fair value unless otherwise noted

**Cash and Cash Equivalents**

Cash and cash equivalents represents funds temporarily invested with maturities of three months or less.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make 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 and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

**Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined

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**Notes to Interim Financial Statements**

**September 30, 2008**

**Unaudited**

based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

### **3. SHORT TERM INVESTMENTS**

During the period the Company invested in Canadian Treasury Bills.

### **4. CAPITAL STOCK**

Authorized:  
unlimited common shares

Issued:  
7,079,410 common shares \$1,210,882

Of the 7,079,410 shares issued, 2,050,000 common shares were initially issued for cash and an additional 4,600,000 common shares were issued for cash in the Company's recently completed initial public offering and 429,410 common shares were issued for cash for agent's options that were exercised.

In addition, the Company has 665,000 stock options that are exercisable at \$0.20 per share to June 29, 2011.

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**5. SUBSEQUENT EVENTS**

On November 25, 2008, the Company received the Exchange's final approval and completed its Qualifying Transaction through the acquisition of Celsion (Canada) Limited ("Celsion").

The Company has issued 11,200,000 common shares in exchange for all the outstanding common shares of Celsion. The Share Exchange Agreement was negotiated at arm's length among Medifocus, Celsion and the shareholders of Celsion.

Following completion of the Qualifying Transaction, Celsion became 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, Charles Shelton will serve as Executive Vice President and General Counsel, John Mon will serve as Chief Operating Officer and Mirsad Jakubovic will serve as Chief Financial Officer of Medifocus. Herbert Gasser has resigned as President, Chief Executive Officer and Chief Financial Officer of Medifocus and Maurice Colson has resigned as a Director of Medifocus. Herbert Gasser and Joe Tai will continue as Directors of Medifocus and Andy Lam, Jeffrey Collins and Grant Walsh will become Directors of Medifocus. Trading in Medifocus Shares resumed on November 26, 2008.

Concurrently with the closing of the Qualifying Transaction, the Company completed a private placement of 4,090,775 units, at a price of \$0.50 per unit, for aggregate gross proceeds of \$2,045,377.50. 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.

Maison Placements Canada Inc. acted as financial advisor in connection with the concurrent public offering. Maison Placements received cash compensation of 8% of the gross proceeds of the offering raised by them, and 10,000 units of Medifocus as broker warrants. In addition, Maison Placements Canada Inc. received a cash fee of US\$100,000 for financial advisory services and 50,000 units of Medifocus to act as the Sponsor of the Qualifying Transaction. 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.