Consolidated Financial Statements

MEDIFOCUS INC.

For the years ended March 31, 2012 and March 31, 2011

SIEVERT & SAWRANTSCHUK LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Medifocus Inc.

We have audited the accompanying consolidated financial statements of Medifocus Inc. and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, and the consolidated statements of loss and comprehensive loss, and the consolidated statements of changes in equity and consolidated statements of cash flows for the years ending March 31, 2012 and March 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Medifocus Inc. and its subsidiary as at March 31, 2012, March 31, 2011 and April 1, 2010, and their financial performance and their cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes that Medifocus Inc. is in the development stage and will require additional financing to fund the development of its system. This condition indicates the existence of a material uncertainty that may cast doubt about Medifocus Inc.'s ability to continue as a going concern.

July 27, 2012	Sievert & Sawrantschuk LLP
Toronto, Canada	Chartered Accountants, Licensed Public Accountants

Medifocus Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In Canadian dollars]

As at	March 31, 2012 $	March 31, 2011 $	April 1, 2010 *Notes 15, 16* $
ASSETS			
Current			
Cash and cash equivalents *[Note 16]*	**60,713**	522,008	433,208
Harmonized sales tax recoverable	**92,175**	58,889	34,660
Prepaid expenses and sundry assets	**24,037**	8,207	8,603
Refundable deposit *[note 17]*	**249,250**	—	—
Total current assets	**426,175**	589,104	476,471
Product development charges *[note 2 and 5]*	**3,904,313**	3,375,471	2,652,167
Plant and equipment, net *[note 6]*	**10,467**	15,994	22,754
	4,340,955	3,980,569	3,151,392
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable and accrued liabilities *[note 11]*	**1,799,883**	1,157,083	740,091
Advance subscriptions	**375,245**	—	373,027
Due to employees and consultants *[note 14]*	**268,409**	441,963	463,329
Convertible promissory debt *[note7]*	**149,550**	145,830	152,880
Convertible debenture *[note 8]*	**279,160**	260,532	—
Interest payable on convertible financial instruments *[notes 7 and 8]*	**128,546**	41,391	63,445
Total current liabilities	**3,000,793**	2,046,799	1,792,772
Going concern *[note 1]*			
Commitments *[note 12]*			
Shareholders' equity			
Share capital *[note 9]*	**4,542,801**	3,797,443	3,385,892
Common shares to be issued *[note 9b]*	**794,832**	1,207,815	615,316
Equity portion of convertible debenture	**11,670**	11,670	—
Contributed surplus	**1,202,147**	1,202,147	—
Accumulated deficit	**(5,211,288)**	(4,285,305)	(2,642,588)
Total shareholders' equity	**1,340,162**	1,933,770	1,358,620
	4,340,955	3,980,569	3,151,392

The accompanying notes are an integral part of these consolidated financial statements

On behalf of the Board:

Director — *Joseph Chan*

Director — *Dr. Augustine Cheung*

Medifocus Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

For the year ended	***March 31, 2012***	*March 31, 2011*
	$	*$*
Operating Expenses		
Development and investor relations	**69,917**	303,503
Consulting and management fees *[note 11]*	**314,341**	429,152
Directors fees *[note 11]*	**90,000**	306,000
Accretion of discount	**11,670**	—
General and administrative	**146,054**	170,394
Professional fees	**141,739**	107,875
Listing fees	**90,850**	27,808
Stock based compensation expense *[note 9d]*	—	305,090
Interest *[note 7 and 8]*	**94,627**	51,420
Amortization *[note 6]*	**5,527**	6,760
	964,725	1,708,002
Net loss before other income	**(964,725)**	(1,708,002)
Other income	**324**	**408**
Gain on settlement of debt *[note 14]*	**53,300**	—
Foreign exchange gain (loss)	**(14,882)**	64,877
Net loss and comprehensive loss	**(925,983)**	**(1,642,717)**
Basic and fully diluted loss per share	**(0.029)**	(0.063)
Weighted average number of common shares outstanding	**31,531,442**	26,002,635

The accompanying notes are an integral part of these consolidated financial statements

Medifocus Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended	***March 31, 2012***	*March 31, 2011*
	$	*$*
OPERATING ACTIVITIES		
Net loss for the period	**(925,983)**	(1,642,717)
Items not involving cash		
Amortization	**5,527**	6,760
Stock-based compensation	**—**	305,090
Shares to be issued in lieu of payment	**35,000**	502,499
Non-cash portion of product development	**—**	90,000
Accretion of discount	**11,670**	—
Gain on settlement of debt	**(53,300)**	—
Unrealized foreign exchange loss	**—**	(29,407)
Net change in non-cash working capital balances related to operations *[note 10]*	**224,179**	371,793
Cash used in operating activities	**(702,907)**	(395,982)
INVESTING ACTIVITIES		
Additions to product development charges	**(528,842)**	(723,304)
Cash used in investing activities	**(528,842)**	(723,304)
FINANCING ACTIVITIES		
Issuance of common shares	**297,375**	1,338,015
Increase (decrease) in advanced subscriptions	**375,245**	(373,027)
Convertible promissory note	**3,720**	(7,050)
Convertible debenture	**6,958**	272,202
Interest payable on convertible financial instruments	**87,155**	(22,054)
Cash provided by financing activities	**770,453**	1,208,086
Net increase in cash and cash equivalents during the year	**(461,296)**	88,800
Cash and cash equivalents, beginning of period *[note 16]*	**522,008**	433,208
Cash and cash equivalents, end of period	**60,713**	522,008
Interest paid	**—**	—
Taxes paid	**—**	—

The accompanying notes are an integral part of these consolidated financial statements

Medifocus Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common shares		Warrants		Subtotal	Common shares to be issued		Equity Portion of Promissory Notes	Other accumulated comprehensive Income	Contributed Surplus	Deficit	Total Shareholders Equity
	#	Cad $	#	Cad $	Cad $	#	Cad $	Cad $		Cad $	Cad $	Cad $
March 31, 2008	103	52,081			52,081			168,207			(2,383,716)	**(2,163,428)**
Shares issued upon exercise of warrants	429,410	85,882			85,882							**85,882**
Reversal of Celsion (Canada) Inc. Shares	(103)				-							**-**
Medifocus shares	6,650,000	1,125,000			1,125,000							**1,125,000**
Medifocus share sissued in exchange of Celsion shares	11,200,000	(1,125,000)			(1,125,000)							**(1,125,000)**
Effect of reorganization		(165,000)			(165,000)						950,383	**785,383**
Shares issued for debt settlement	1,666,280	1,374,733			1,374,733	3,092,105	463,816					**1,838,549**
Shares issued for payment of professional fees	250,000	125,000			125,000							**125,000**
Shares issued in private placement	4,140,755	1,913,196	4,140,755		1,913,196							**1,913,196**
Equity portion of promissory note								(168,207)				**(168,207)**
Net loss for the year											(328,623)	**(328,623)**
March 31, 2009	24,336,445	3,385,892	4,140,755		3,385,892	3,092,105	463,816				(1,761,956)	**2,087,752**
Expiration of warrants			(50,000)									**-**
Shares issued for payment of professional fees						500,000	151,500					**151,500**
Net loss for the year											(880,632)	**(880,632)**
March 31, 2010	24,336,445	3,385,892	4,090,755		3,385,892	3,592,105	615,316				(2,642,588)	**1,358,620**
Issuance of common shares on private placement	6,194,997	796,618	6,194,997	511,990	1,308,608					511,990		**1,308,608**
For settlement of accrued interest						275,510	52,499					**52,499**
Issued to officers						1,700,000	306,000					**306,000**
Issued to directors						1,300,000	234,000					**234,000**
Extension of warrants		(385,067)		385,067						385,067		**-**
Stock options granted										305,090		**305,090**
Equity portion of promissory note								11,670				**11,670**
Net loss for the year											(1,642,717)	**(1,642,717)**
March 31, 2011	30,531,442	3,797,443	10,285,752	897,057	4,694,500	6,867,615	1,207,815	11,670		1,202,147	(4,285,305)	**1,933,770**
Issuance of common shares on private placement	1,000,000	297,375			297,375							**297,375**
For settlement of accounts payable						175,000	35,000					**35,000**
Stock options vesting										71,188		**71,188**
Stock options cancelled										(71,188)		**(71,188)**
Shares to be issued for professional fees	(100,000)	(50,000)				100,000	50,000					
Shares issued and debt extinguished	2,787,070	497,983				(2,787,070)	(497,983)					**-**
Net loss for the year											(925,983)	**(925,983)**
March 31, 2012	34,218,512	4,542,801	10,285,752	897,057	4,991,875	4,355,545	794,832	11,670		1,202,147	(5,211,288)	1,340,162

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

1. Corporate Information and Going Concern Uncertainty

Medifocus Inc. (the "Company" or "Medifocus") was incorporated under the *Business Corporations Act* (Ontario) on April 25, 2005. The Company is in the business of development and commercialization of minimally invasive, focused heat tumor targeting cancer treatment devices and systems. Medifocus owns a patented microwave focusing technology platform, the Adaptive Phased Array ("APA") thermotherapy system, which can precisely target and concentrate microwave energy to destroy cancer tumors without damaging healthy tissue when used alone or in conjunction with chemotherapy or radiation. The core technology has been exclusively licensed from The Massachusetts Institute of Technology ["MIT"]. The address of the Company's registered office is 130 King Street West, Suite 1800, Toronto, Ontario M5X 1E3, Canada. The Company trades on the TSX Venture Exchange under the symbol "MFS" and the OTCQX International Exchange under the symbol "MDFZF".

The Company is in the development stage and is subject to the risks and challenges to other companies in a comparable stage of development. These risks include, but are not limited to, continuing losses, dependence on key individuals, and the ability to secure adequate financing to meet obligations and continue as a going concern. The Company has yet to complete its Phase III clinical trials and there is no assurance that these trials will be successful.

The Company's continuing operations are dependent upon its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. There can be no assurances that the Company's activities will be successful or that sufficient funds can be raised in a timely manner. As a result, there is significant doubt regarding the "going concern" assumption and accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities that might be required should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company had historically prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The Company has applied IFRS 1 "First Time Adoption of International Financial Reporting Standards " ("IFRS 1"), and has provided disclosure concerning the transition from Canadian GAAP to IFRS in note

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

15. Management has amended certain accounting policies and descriptions it previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS; however, these changes have not had any material impact on the amounts previously recorded.

The policies applied in these consolidated financial statements are based on IFRS effective as of July 27, 2012, the date the Board of Directors approved the statements. The Company has applied IFRS in its financial reporting with effect from its transition date of April 1, 2010 in accordance with the transitional provisions set out in IFRS 1. IFRS 1 requires that a first-time adopter retrospectively apply all IFRS standards effective at the end of its first IFRS reporting period. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. The following items are relevant to the Company's reporting:

Business Combinations IFRS 1 provides the option of applying IFRS 3 "Business Combinations" retrospectively or prospectively from the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and therefore has not restated any aspect of these transactions.

Estimates As required by IFRS 1, the estimates used by the Company at the transition date are consistent in all respects with the estimates it previously made at the same date for purposes of its Canadian GAAP reporting.

(a) Principles of consolidation

The consolidated financial statements reflect the financial position and results of operations of the Company and its wholly-owned subsidiary Celsion (Canada) Inc. All intercompany transactions and balances have been eliminated.

(b) Use of estimates

To prepare financial statements in conformity with IFRS, the Company must necessarily make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions most critical to determining the carrying values of assets and liabilities include those related to the estimated useful lives of property, plant and equipment, amortization of intangible assets, valuation of intangible assets, contingencies, taxes and valuation of share based payments. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in both the period of revision and future periods if the revision affects both current and future periods.

(c) Plant and equipment

Plant 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	30%

Leasehold improvements are amortized on a straight line basis over the lesser of the lease term and their estimated useful lives.

The Company reviews the estimated useful lives, residual values and depreciation method at each yearend, accounting for the effect of any changes in estimate on a prospective basis.

The gain or loss arising on disposing of or retiring an item of property, plant and equipment is determined as the difference between the sales proceeds and the asset's carrying amount and is recognized in profit or loss.

As at March 31, 2012, there was no impairment of the Company's plant and equipment.

(d) Research costs and product development charges

Research costs are expensed as incurred. Expenditure on development activities is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliability, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development.

The Company capitalizes the cost of acquiring patents and licenses from third parties as well as the cost of preparing the Microfocus APA 1000 System to enter clinical trial, including the design of the trial, and will amortize that cost over the useful life of the APA System once the APA System is approved and ready for use. No amortization expense was recognized through March 31, 2012 because the APA System has not yet been approved. As at March 31, 2012 there was no impairment of product development charges.

The benefits of tax credits for SR&ED and Government Assistance are recorded 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.

(e) Impairment of plant and equipment and product development assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether any indication exists those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss, if any. Where it is not possible to estimate a specific asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where

a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to specific cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If an asset or cash-generating unit's recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Provisions

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and it can make a reliable estimate of the amount of the obligation. The amount it recognizes as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(g) Income taxes

Income taxes are accounted for using the deferred income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year. Deferred income taxes are recognized for temporary differences between tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Deferred income tax assets and liabilities are measured using tax rates expected to be recovered or settled. Tax benefits have not been recorded due to uncertainty regarding their utilization. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is more likely than not to be recognized.

(h) Share-based payments

Where equity-settled stock options are awarded to employees, the fair value of the stock options at the date of grant is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are

satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to the consolidated statement of loss, comprehensive loss and deficit over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions have been met.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods and services received in exchange for the stock based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. All equity-settled stock based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any considerations.

(i) Convertible debenture and promissory debt

The Company`s convertible debt is considered to be a compound financial instrument that contains both a debt and equity component. On the issuance, the fair value of the debt component is determined by discounting the expected future cash flows over the expected life using a market rate of interest for a non-convertible debt instrument with similar terms. The value is carried as debt on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds are allocated as a separate component of shareholders` equity. Transaction costs are apportioned between the debt and equity components based on their respective carrying amount when the instrument was issued.

On conversion, the carrying amount of the debt component and the equity component are transferred to share capital and no gain or loss is recognized. The interest cost recognized in respect of the debt component represents the accretion of the liability, over the expected life using the effective interest method, to the amount that would be payable if redeemed.

(j) Earnings per share

Basic income (loss) per share is computed by dividing net income (loss) and comprehensive income (loss) by the weighted average number of common shares outstanding during the year. The computation of diluted income (loss) assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted income (loss) per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. In years when the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted loss (earnings) per share are the same.

(k) Foreign currency translation

The Company's presentation currency and functional currency is the Canadian dollar. Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the end of the reporting period and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in profit or loss.

(l) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, HST recoverable, accounts payable and accrued liabilities, amounts due to employees and consultants, and convertible promissory debt and debentures (see (i) above). The Company has designated its cash and cash equivalents and restricted cash as financial assets at fair value through profit or loss, which are measured at fair value. Accounts payable and amounts due to employees and consultants and the liability portion of convertible promissory debt and debentures are classified as other financial liabilities, which are measured at amortized cost.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives held for trading or are discounted as such by management, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

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. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit and loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in Other Comprehensive Income (Loss) ["OCI"]. Where a decline in the fair value of an available-for-sale

financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit and loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the present value of the expected future cash flows, discounted at the original effective interest rate, for a financial asset or a group of financial assets is below its carrying value. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives held for trading, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category includes all other financial liabilities, recognized at amortized cost.

(m) Revenue recognition

The Company currently has no revenue as it is in the research and development stage of product development. Interest revenue is recognized in the period in which it is earned.

3. NEW ACCOUNTING STANDARDS

The IASB and IFRS Interpretations Committee (“IFRIC”) have issued certain new standards, interpretations, amendments and improvements to existing standards, mandatory for future accounting periods. The most significant of these are as follows, and except as noted below are all effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted:

The IASB issued IFRS 9, *Financial Instruments* in November 2009 as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*; in particular, it introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 before its effective date of January 1, 2015 to add new requirements for classifying and measuring financial liabilities, derecognizing financial instruments, impairment and hedge accounting.

IFRS 10, 11, 12 and 13 were all issued in May 2011. IFRS 10 *Consolidated Financial Statements* replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation — Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. IFRS 11 *Joint Arrangements* introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by using proportionate consolidation.

IFRS 12 *Disclosure of Interests in Other Entities* requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13 *Fair Value Measurement* replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

In June 2011, the IASB amended IAS 1 *Presentation of financial statements* ("IAS 1") to require presenting items in other comprehensive income in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or as two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

The Company has not yet determined the impact of these standards and amendments on its financial statements.

4. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, HST recoverable, accounts payable, amounts due to employees and consultants and convertible promissory debt and debentures. 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 accounts payable and amounts due to employees and consultants and convertible promissory debt and debentures approximates their carrying values due to their short-term maturity.

The methods and assumptions used to measure financial instruments at fair value in the consolidated statement of financial position are classified into three levels according to a defined fair value hierarchy:

- Level one includes quoted prices [unadjusted] in active markets for identical assets or liabilities.
- Level two includes inputs that are observable, other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

The assets carried at fair value are cash and cash equivalents, classified within Level one of the hierarchy.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting period.

[i] Cash
The Company minimizes its exposure to credit risk by keeping the majority of its cash as cash on deposit with a major Canadian chartered bank. Management expects the credit risk to be minimal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Foreign currency risk
The prices paid by the Company for services and supplies are paid in U.S. and Canadian dollars and the Company is raising funds in Canadian dollars. As of March 31, 2012 the Company has few receivables and believes the currency risk is limited and not a risk to be hedged at the present time.

Interest rate risk
Interest rate risk arises because of changes in market interest rates. The Company has no borrowings other than its convertible debt and certain of the amounts due to employees and consultants, all of which is at fixed interest rates, and 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's objective is to maintain sufficient liquid resources to meet operational requirements. As at March 31, 2012, the Company had cash of $60,713 [2011 - $522,208]. In addition, at March 31, 2012, the Company's working capital position was negative $2,574,618 [2011 - negative $1,457,695]. The Company's continuing operations are dependent upon its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. There can be no assurances that the Company's activities will be successful or that sufficient funds can be raised in a timely manner.

Capital risk
The Company's objective when managing capital, defined as its equity, 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. 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 it 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.

Sensitivity analysis
The Company believes that the movements in its U.S. dollar financial instruments that are reasonably possible over the next twelve-month period will not have a significant impact on the Company.

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5. PRODUCT DEVELOPMENT

Product development costs represent the costs incurred to date in connection with the development of the Microfocus APA 1000 System including patent and clinical trial expenditures. There will be no amortization of these costs until the system is ready for use.

The cost and net book value of product development charges are as follows:

	Total $
As at April 1, 2010	2,652,167
Additions	723,304
As at March 31, 2011	3,375,471
Additions	528,842
As at March 31, 2012	3,904,313

6. PLANT AND EQUIPMENT

Plant and equipment are composed of the following:

	Equipment $	Furniture and fixtures $	Leasehold improvements $	**Total** **$**
Cost				
As at April 1, 2010	46,995	20,464	10,600	**78,059**
Additions	—	—	—	**—**
Disposals	—	—	—	**—**
As at March 31, 2011	46,995	20,464	10,600	**78,059**
Additions	—	—	—	**—**
Disposals	—	—	—	**—**
As at March 31, 2012	46,995	20,464	10,600	**78,059**
Accumulated depreciation				
As at April 1, 2010	35,258	13,097	6,950	**55,305**
Depreciation for the year	3,521	1,473	1,766	**6,760**
As at March 31, 2011	38,779	14,570	8,716	**62,065**
Depreciation for the year	2,465	1,178	1,884	**5,527**
As at March 31, 2012	41,244	15,748	10,600	**67,592**
Net book value				
As at April 1, 2010	11,737	7,367	3,650	**22,754**
As at March 31, 2011	8,216	5,894	1,884	**15,994**
As at March 31, 2012	5,751	4,716	—	**10,467**

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7. CONVERTIBLE PROMISSORY NOTE

In 2007, the Company raised 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 lender may convert the balance due into common stock of the Company at $0.20 per share. The face value and accrued interest were payable December 21, 2009, and were extended to September 30, 2010. The interest rate for the extended period increased to 1.667% per month from 1.5%. The Company paid USD $15,000, applied against outstanding interest, during the year ended March 31, 2011, and the lender agreed to convert USD $54,000 of accrued interest into 275,510 common shares of the Company. The current interest rate on the USD $150,000 is 1.667% per month plus an additional 1% default interest per month following the default on September 30, 2010. As at March 31, 2012 the balance of $228,651 [2011- $179,838] includes $79,101 [2011 - $34,008] of accrued interest.

On June 6, 2012, the Company repaid the promissory note and accrued interest.

8. CONVERTIBLE DEBENTURE

On January 24, 2011, the Company issued various non-brokered unsecured convertible debentures ["Debentures"] in the principal amount of USD $280,000. The Debentures matured on January 24, 2012. The interest rate on the Debentures is 15% per annum. Upon the request of the Holders, the Debentures but not the accrued interest may be converted in whole, but not in part, into shares of Common Stock of the Company at a price of $0.11 per common share. The Debenture may be repaid in whole or in part at any time by the Company.

For accounting purposes, the Debentures contain both a debt component and an equity component. At issuance, the Company estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the Debentures from the face value of the principal of the Debentures. The fair value of the debt component was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 21% for a comparable debt instrument that excluded any conversion privileges. The debt component accretes over the life of the unsecured convertible debenture through periodic charges to expense using the effective interest method.

As at March 31, 2012, the Debentures are in default as the Company has not had sufficient funds to pay the Debentures. There is no impact for default. The balance as at March 31, 2012 of $328,605 [2011 - $267,915] includes $49,445 of accrued interest [2011 - $7,383]

Subsequent to the end of the year, the Company converted 30% of the convertible debentures to common shares at $0.11 per share and paid the balance remaining with cash.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. SHARE CAPITAL

[a] Common shares

Authorized share capital consists of unlimited common shares with no par value.

The continuity of share capital is as follows:

	Number #	Amount $
Balance as at March 31, 2010	**24,336,445**	**3,385,892**
Shares issued in private placement *[i]*	2,449,997	734,999
Less share issuance costs *[i]*		(77,989)
Less allocation to contributed surplus *[i]*		(319,180)
Extension of warrants *[note c]*		(385,067)
Shares issued in private placement *[ii]*	3,745,000	674,100
Less share issuance costs *[ii]*		(22,502)
Less allocation to contributed surplus*[ii]*		(192,810)
Balance, March 31, 2011	**30,531,442**	**3,797,443**
Shares issued in private placement, net of issuance costs *[iii]*	1,000,000	297,375
Shares issued on extinguishment of debt *[iv]*	2,687,070	447,983
Balance, March 31, 2012	**34,218,512**	**4,542,801**

[i] On August 7, 2010, the Company completed a private placement of 2,449,997 units at a price of $0.30 per unit raising gross proceeds of $734,999. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of $0.50 until August 7, 2012. Management determined the warrants to have a fair value of $0.13 per warrant and accordingly, $319,180 of the proceeds from the issuance was allocated to the warrants, and the balance of the proceeds was allocated to common shares. The Company paid finder's fees of $28,431 and legal fees of $49,558 that were included in share issuance costs of $77,989.

A relative fair value calculation was used to determine the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.0%
Expected life in years	2 year
Expected volatility	207.0%
Dividends per share	0.0%

[ii] On March 24, 2011, the Company completed a private placement of 3,745,000 units at a price of $0.18 per unit raising gross proceeds of $674,100. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of $0.30 until March 24, 2016. Management determined the warrants to

have a fair value of $0.05 per warrant and accordingly, $192,810 of the proceeds from the issuance was allocated to the warrants, and the balance of the proceeds was allocated to common shares. The Company paid legal fees of $22,502 that were included in share issuance costs.

A relative fair value calculation was used to determine the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.0%
Expected life in years	5 year
Expected volatility	70.0%
Dividends per share	0.0%

[iii] On June 29, 2011, the Company completed a private placement of 1,000,000 shares at a price of $0.30 per share raising gross proceeds of $300,000. The Company paid legal fees of $2,625 that were included in share issuance costs.

[iv] On March 6, 2012, the Company issued 2,787,070 shares for a previously recognized debt settlement**,** with a value of $497,983. Accordingly, these shares have been moved to share capital from shares to be issued. The Company transferred 100,000 shares valued at $50,000 that had been reserved for payment of past professional fees from share capital to shares to be issued.

[b] Share capital to be issued

From time to time the Company will make agreements for the settlement of debt, accrued interest or other expenditures by issuing shares, subject to regulatory and shareholder approval. The value of the shares to be issued is determined by the closing price on the day of the agreement.

The continuity of share capital to be issued is as follows:

	Number #	**Amount** $
Balance as at March 31, 2010	**3,592,105**	**615,316**
For settlement of accrued interest *[i]*	275,510	52,499
For directors *[ii]*	1,700,000	306,000
For officers *[ii]*	1,300,000	234,000
Balance, March 31, 2011	**6,867,615**	**1,207,815**
For settlement of accounts payable *[iii]*	175,000	35,000
Shares issued on debt extinguishment *[iv]*	(2,687,070)	(457,983)
Balance, March 31, 2012	**4,355,545**	**794,832**

[i] The Company agreed to issue 275,510 shares to settle accrued interest of $52,499. *[note 7]*
[ii] On March 17, 2011, the Company granted, to directors and officers of the Company, an aggregate of 3,000,000 common shares at a value of $0.18 per share, in accordance with the Company's approved compensation strategy and subject to regulatory and shareholder approval.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[iii] The Company agreed to issue 175,000 shares to settle debt of $35,000.
[iv] On March 6, 2012, the Company issued 2,787,070 shares for a previously recognized debt settlement**,** with a value of $497,983. Accordingly, these shares have been moved to share capital from shares to be issued. The Company transferred 100,000 shares valued at $50,000 that had been reserved for payment of past professional fees from share capital to shares to be issued. .

[c] Warrants

As at March 31, 2012, the Company had the following warrants outstanding:

	Purchase warrants			
	Number **#**	**Exercise price** **$**	**Expiry date**	**Year of issue**
Share purchase warrants	**4,090,755**	**0.60**	11/25/2012	2009
Share purchase warrants	**2,449,997**	**0.50**	8/24/2013	2011
Share purchase warrants	**3,745,000**	**0.30**	3/24/2016	2011
Outstanding, end of year	**10,285,752**			

As at March 31, 2011, the Company had the following warrants outstanding:

	Purchase warrants			
	Number **#**	**Exercise price** **$**	**Expiry date**	**Year of issue**
Share purchase warrants	**4,090,755**	**0.60**	11/25/2012	2009
Share purchase warrants	**2,449,997**	**0.50**	8/24/2012	2011
Share purchase warrants	**3,745,000**	**0.30**	3/24/2016	2011
Outstanding, end of year	**10,285,752**			

On November 23, 2010, the Company extended the expiry date of 4,090,755 warrants to November 25, 2012, and accordingly, $385,067 was allocated to contributed surplus. A relative fair value calculation was used to determine the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.0%
Expected life in years	2 year
Expected volatility	199.0%
Dividends per share	0.0%

The weighted average exercise price of the outstanding warrants as at March 31, 2012 was $0.49.

[d] Stock options

The Company may grant stock options to directors, senior officers and service providers by resolution of the Board of Directors. The exercise price will reflect the market price 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.

On March 17, 2011, the Company granted incentive stock options to the directors and officers of the Company to purchase an aggregate of 3,700,000 common shares subject to regulatory and shareholder approval. The options are exercisable at a price of $0.20 per common share and expire five years from the date of the grant. 3,000,000 stock options vested immediately and 700,000 options vested in two equal installments with 50% (350,000) vesting immediately and the remainder (350,000) vesting on the first anniversary of their date of grant. Stock-based compensation expense of $71,188 was recognized during the year for the options that vested during the year [2011-$305,090]. The fair value of the options was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.0%
Expected life in years	5 year
Expected volatility	70.0%
Dividends per share	0.0%

During the year, the Company cancelled 700,000 incentive stock options issued to management in order to reduce the number of options outstanding to 10% of issued shares as per the Company's approved stock option plan. Accordingly, stock based compensation expense has been reduced by $71,188.

A summary of the status of the Plan as at March 31, 2012 and changes therein are presented below:

	2012		2011	
	Number **#**	**Weighted average exercise price** **$**	Number \#	Weighted average exercise price $
Outstanding, beginning of year	**3,921,666**	**0.20**	**221,666**	**0.20**
Cancelled	(700,000)	0.20	—	—
Expired	(221,666)	0.20	—	—
Granted	—	—	3,700,000	0.20
Outstanding, end of year	**3,000,000**	**0.20**	3,921,666	0.20
Options exercisable, end of year	**3,000,000**		3,571,666	

[e] Diluted earnings per share

There has been no impact on diluted earnings per share as a result of outstanding stock options and warrants as the impact would be anti-dilutive.

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10. STATEMENTS OF CASH FLOWS

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

	2012	2011
	$	$
Prepaid expenses and refundable deposits	**(15,830)**	396
Refundable deposit	**(249,250)**	—
Harmonized sales tax recoverable	**(33,286)**	(24,229)
Accounts payable and accrued liabilities	**696,099**	416,992
Due to employees and consultants	**(173,554)**	(21,366)
	224,179	371,793

11. RELATED PARTY TRANSACTIONS

The following amounts were earned as consulting fees and management salaries for the year ended March 31, 2012:

	2012	2011
Chief Executive Officer	$ 240,000	$ 240,000
Chief Financial Officer	$ 65,000	$ 40,000
Chief Operating Officer	$ 200,000	$ 200,000

The following amounts owing to officers are included in accounts payable as at March 31, 2012:

	2012	2011
Chief Executive Officer	$ 269,263	$ 188,037
Chief Financial Officer	$ 78,000	$ 38,000
Chief Operating Officer	$ 216,652	$ 96,066

The Company has paid marketing fees of $nil [2011 - $112,440] and administrative fees of $nil [2011 - $10,500] to two Companies in which a Director of Medifocus is also a Director of both of the respective Companies.

The following table summarizes the Company's related party transactions during the year:

	2012	2011
	$	$
Director fee accrued	**90,000**	—
Stock options issued (cancelled) to officers and directors	**(700,000)**	3,700,000
Common shares issued to officers and directors	—	3,000,000

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12. COMMITMENTS

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 technology, the APA technology licensed from MIT, and all related intellectual and regulatory property (collectively, the "Business"). The Company has a commitment to pay a 5% royalty to Celsion on the net sales of products sold by and patent royalties received by the Company and its successors and assignees. Total royalties paid are 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 has an additional commitment to pay a 5% royalty to MIT on the net sales of products, upon commercialization. Also, the Company has a commitment to pay MIT an annual maintenance fee as follows:

		$
2013	USD	50,000
2014	USD	50,000

During the year, MIT forgave the annual maintenance fee for 2012.

Future minimum payments under operating leases and contractual commitments are as follows:

2013	$ 74,241
2014	$ 76,468
2015	$78,762

13. INCOME TAXES

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:

	2012	2011
	$	$
Loss before income taxes	**(925,983)**	(1,642,717)
Income tax recovery at average statutory rate (2012; 28.5% 2011: 28.5%)	**(263,905)**	(468,174)
Add: Gain in settlement of debt	**15,190**	—
Add: other non-deductible amounts for income-tax purposes	**5,333**	85,737
Valuation allowance	**243,382**	382,437
Income tax expense (recovery)	—	—

Deferred income tax assets and liabilities consist of the following:

	2012	2011
	$	$
Deferred tax assets		
Non-capital losses	**868,679**	781,750
Other	**20,393**	31,080
Valuation allowance	**(889,072)**	(812,830)
Net deferred tax assets	—	—

In addition, the Company also has non-capital losses totaling approximately $3,474,717 that have not been tax benefited and expire as follows:

	$
2026	12,462
2027	147,253
2028	14,902
2029	540,776
2030	1,112,000
2031	1,422,328
2032	224,996
	3,474,717

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

U.S. Income Tax Status

U.S. federal tax legislation was enacted in 2004 to address perceived U.S. tax concerns in “corporate inversion” transactions. A “corporate inversion” generally occurs when a non-U.S. Company acquires “substantially all” of the equity interests in, or the assets of, a U.S. Company or partnership, if, after the acquisition, former equity holders of the U.S. Company or partnership own a specified level of stock in the non-U.S. Company. The tax consequences of these rules depend upon the percentage identity of stock ownership that results. Generally, in the “80-percent identity” transactions, i.e. former equity holders of the U.S. Company owns 80% or more of the equity of the non-U.S. acquiring entity (excluding certain equity interests), the tax benefits of the inversion are limited by treating the non-U.S. acquiring entity as a domestic entity for U.S. tax purposes. In the “60-80 percent identity” transactions, the benefits of the inversion are limited by barring certain corporate-level “toll charges” from being offset by certain tax attributes of the U.S. Company (e.g. loss carryforwards), and imposing excise taxes on certain stock based compensation held by “insiders” of the U.S. Company.

Management is of the view that a corporate inversion has resulted from the reverse takeover transaction it completed in fiscal 2009, as disclosed in Note 2 to its annual financial statements for the year ended March 31, 2012. However, management has not yet determined whether the Company is subject to the "80 percent" or the "60-80 percent" identity with respect to the transactions undertaken in the fiscal 2009

year since the interpretation of which categories of stock ownership are to be considered under the inversion rules is not yet settled.

14. DUE TO EMPLOYEES AND CONSULTANTS

The Company has liabilities of $268,409 [2011 - $441,963] owing to employees and consultants for past compensation. During the year, the Company settled $113,300 liabilities owing to a consultant by paying USD $25,000 and issuing 175,000 common shares, recognizing a gain of $53,300 on this settlement of debt.

15. IMPACT OF IFRS

As described in Note 2, the transition to IFRS has not had any material impact on how the Company recognizes or measures the amounts recorded in these financial statements. The transition has, however, changed various aspects of the financial statement presentation, of which the following item is the most significant:

Presentation of earnings and loss
The Company has amended the presentation of expenses recognized before earnings, to use a classification based on the nature of those expenses.

The Company did not recognize any additional impairment losses at the transition date as a result of the conversion to IFRS.

16. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative consolidated financial statements have been reclassified from statements previously presented to conform with the 2012 consolidated financial statement presentation.

17. SUBSEQUENT EVENTS

On April 11, 2012, 33,333 shares issued as part of the 2,449,997 shares issued in the private placement described in Note 9(a)[i] were cancelled.

On April 25, the Company extended until April 24,2013 the expiry of 2,449,997 outstanding common share purchase warrants described in Note 9c.

On June 6, 2012, the Company repaid the convertible promissory note and accrued interest described in Note 7.

On June 8, 2012, the Company issued 18,367,253 units at a price of $0.15 per unit for gross proceeds of $2,755,088. Each unit is comprised of one common share and one common share purchase warrant. Each

warrant entitles the holder to purchase one additional common share at a price of $0.20 for a period of 24 months.

On June 21, 2012, the Company issued 22,200,000 units at a price of $0.15 per unit for gross proceeds of $3,330,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.20 for a period of 24 months. $2,000,000 of the gross proceeds raised, representing 13,333,333 Units, closed in trust pending final Exchange approval.

On July 25, 2012, the Company closed an agreement with Boston Scientific Corporation for the purchase of all of the assets of its Prolieve business. The total purchase price is US $5 million. A refundable deposit of US $250,000 [CAD $249,250] had been paid by the Company on March 16, 2012. Medifocus has paid Boston Scientific Corporation US $2.25 million upon closing of the transaction and the remainder will be paid in quarterly instalments contingent upon the sales performance of the Prolieve business, up to a maximum of US $2.5 million.

Subsequent to the end of the year, the Company converted USD $75,000 of the convertible debentures to common shares at $0.11 per share and paid the remaining USD $205,000 in cash.