Medifocus Inc.

FORM 51-102FI

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED
DECEMBER 31, 2008

February 27, 2009

1. Date

This Management Discussion and Analysis ("MD&A") for the three and nine months ended December 31, 2008 is dated February 27, 2009 and should be read in conjunction with the Company's interim consolidated financial statements for the three and nine months ended December 31, 2008, and the annual consolidated financial statements for the year ended March 31, 2008 and related MD&A, and the Filing Statement dated August 26, 2008. All financial information is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is expressed in Canadian dollars

2. Overview

Medifocus Inc. ["Medifocus" or the "Company"] was incorporated under the *Business Corporations Act* (Ontario) on April 25, 2005. Prior to completion of the Reverse Takeover with Celsion (Canada) Limited, the Company was classified as a capital pool company pursuant to the policies of the TSX Ventures Exchange Inc. [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.

Qualifying Transaction

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 ["Celsion"].

Pursuant to the terms and subject to the conditions of the Share Exchange Agreement, the Company issued an aggregate of 11,200,000 Medifocus Shares at a deemed issue price of $0.50 per share to the shareholders of Celsion and agreed to pay to such shareholders an amount of $166,667 at an undetermined time following the completion of the Qualifying

Transaction subject to the Company's board approval. 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 Medifocus. Medifocus will carry on the business of Celsion under current Celsion management. Dr. Augustine Cheung serves as chief executive officer and director, and John Mon serves as chief operating officer of Medifocus. Herbert Gasser has resigned as president, chief executive officer, chief financial officer on November 25, 2008 and as director of Medifocus effective February 13, 2009 and Maurice Colson has resigned as a director of Medifocus on November 25, 2008. Joe Tai continues as a director of Medifocus and Andy Lam became a director of Medifocus on November 25, 2008.

In addition 903,112 common shares, valued at $0.50 per common share were issued to Celsion Corporation (USA) in respect of a portion of the indebtedness previously owed 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 below), valued at $0.50 per unit.

Management is in the process of negotiating with employees and consultants, payment of the monies owed to each for past services. The Company has classified these amounts as long term debt in the accounts.

Concurrently with the closing of the Qualifying Transaction, Medifocus 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.

Nature of Business

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.

The APA System can target heat treatment to cancer tumors any place in the body reliably and repeatedly. The ability to target tumors with controlled dosages of heat can be used to destroy tumors at higher temperatures, to treat tumors in combination with chemotherapy and radiation at moderate temperatures for increased effectiveness over those treatments alone and to trigger the targeted release of therapeutic drugs and genes at tumor sites at lower temperatures.

The technical breakthrough of the APA System is its ability to precisely focus microwave heating anywhere in the body. It has been demonstrated that heat alone can kill cancer tumors and increase the effectiveness of chemotherapy and radiation when used in conjunction with those treatments. The problem historically with heat treatment for cancer tumors has not been the effectiveness of the treatment, but the technical problem of delivering the heat dosage accurately in a repeatable manner in patients.

The proprietary APA System solves this problem by incorporating "APA" technology. The term "APA" refers to Adaptive Phased Array technology developed by MIT for military applications in the "Star Wars Program" to focus microwave energy on missiles, in order to detect and destroy them. The aspects of the APA technology relevant to Company's purposes have been licensed exclusively to the Company. These aspects relate primarily to the focusing of microwave energy, with the generation of energy as a secondary consideration. The company's APA System incorporates further refinements in the precise focusing of microwaves and in detection feedback and mechanisms.

The Company has chosen to initially pursue commercialization of the APA System for the treatment of large breast cancer tumors in combination with chemotherapy.

Risk Factors

The Company is, and will continue to be, subject to numerous risk factors, including the risks associated with: funding, planning and conducting clinical trials; the possibility of changes in applicable regulatory requirements, competition; implementation of business strategies; reliance on key personnel; protection of intellectual property; future acquisitions; and capital requirements.

For detailed review of the risk factors, please refer to the filing statement dated August 26, 2008 and filed with SEDAR.

3. Results of Operations

The net loss for the nine months ended December 31, 2008 has increased by $442,916, in part due to the consolidation of Celsion and Medifocus, during the period, and in part due to further development activities by the Company.

General and administrative expenses increased $245,095 during the nine-month period. Interest expense and accretion of discounts increased by $$101,591 and $116,414, respectively,

The loss for the quarter was $622,927 compared to the loss of $238,310 in the same period of 2007.

As at November 25, 2008, $803,594 was owed to Celsion Corporation (USA) under this agreement. Concurrent with the Qualifying Transaction, the Company issued 903,112 common shares to convert $557,600 of the debt.

On November 25, 2008, the Company issued 763,168 units 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. . 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.

Forward-Looking Statements

This management's discussion and analysis may contain statements that are "Forward-looking Statements". These include statements about the Company's expectations, beliefs, plans, objectives and assumptions about future events or performance. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue". "anticipate", "believes", "estimate", "intend", "plan", "would", and "outlook" or statements to the effect that actions, events or results "will", "may", "should" or "would" be taken, occur or be achieved. Forward-looking statements are not historical facts, and are subject to a number of risks and uncertainties beyond the Company's control. Accordingly, the Company's actual results could differ materially from those suggested by these forward-looking statements for various reasons discussed throughout this analysis. Forward-looking statements are made on the basis of the beliefs, opinions and estimates of the Company's management on the date the statements are made and, other than in compliance with applicable securities laws, the Company does not undertake any obligation to update forward-looking statements if the circumstances or management's beliefs, opinions or estimates should change. Readers should not place undue reliance on forward-looking statements.

4. Summary of Quarterly Results

The following table sets forth, for the quarter indicated, information relating to the Company's revenue, net loss and loss per common share as prepared under generally accepted accounting principles in Canada.

	Revenues	Net Loss	Basic and Diluted Net Loss / Share
March 31, 2007	–	(227,252)	(0.026)
June 30, 2007	–	(181,452)	(0.021)
September 30, 2007	–	(347,236)	(0.040)
December 31, 2007	–	(238,310)	(0.028)
March 31, 2008	–	(446,701)	(0.052)
June 30, 2008	–	(197,422)	(0.023)
September 30, 2008	–	(422,498)	(0.049)
December 31, 2008	**18,288**	(622,927)	(0.072)

For further annual and quarterly financial information, please refer to the Company's financial statements that have been filed on SEDAR.

5. Liquidity

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 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. Management determined the warrants to have a value of Nil. The Company paid finders' fees of $4,000 in cash.

As at December 31, 2008, the Company had cash and cash equivalents of $198,888 and short-term investments in the amount of $2,498,301.

Working capital at December 31, 2008 was approximately $1,361,123.

The Company has negotiated with employees and consultants to defer payment of amounts payable to them and accordingly, these amounts have been classified as long-term debt.

6. Capital Resources

Additional funds are required for the Company to finance its desired development programs in the future.

The Company has negotiated with employees and consultants to defer payment of amounts payable to them and will review and negotiate all accounts payable.

The Company is also currently considering various other alternatives to raise the required funds.

7. Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or reasonably likely to have, a current or future effect upon the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

8. Transactions with Related Parties

Included in accounts payable is approximately $547,000 owed to the Chief Executive Officer for past salary and un-reimbursed expenses.

9. Critical Accounting Estimates

The Company's significant accounting policies are presented in Note 2 of the interim consolidated financial statements for the period ended December 31, 2008.

10. Changes in Accounting Policies

Effective January 1, 2007, the Company adopted four new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005: Handbook Section 1530 *Comprehensive Income*; Handbook Section 3855 *Financial Instruments - Recognition and Measurement*; Handbook Section 3861 *Financial Instruments - Presentation and Disclosure*; and Handbook Section 3865 *Hedges.* These accounting policy changes were adopted on a prospective basis; accordingly, comparative amounts for prior periods have not been restated.

(a) Comprehensive Income (Section 1530)

Section 1530 sets out reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income is composed of net income and other comprehensive income. The Company does not have any components of comprehensive income except for net income and therefore this policy has had no impact on the Company's financial statements.

(b)Financial Instruments – Recognition and Measurement (Section 3855); Presentation and Disclosure (Section 3861)

Section 3855 sets out standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be measured at fair value on initial recognition and recorded on the balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Section 3861 sets out standards for the presentation and disclosure of financial instruments.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

The Company has made the following classifications:

- Cash, short-term investments and interest bearing deposits are classified as "held-for-trading" and measured at fair value. Gains and losses resulting from change in fair values are recorded in net income.
- Accounts receivable and Royalty tax recoverable are classified as "loans and receivables" and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable is classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(c) Hedges (Section 3865)

Section 3865 sets out standards on the use of hedge accounting. The Company currently does not have any hedges in place and therefore this policy has had no impact on the Company's financial statements.

(d) Impact upon adoption of CICA Handbook Sections 1530, 3855, 3861 and 3865

The adoption of these new accounting standards has had no impact on the Company's consolidated financial statements.

(e) Accounting changes

Effective January 1, 2007, the Company adopted the revised CICA Handbook section 1506 Accounting Changes, relating to changes in accounting policies, changes in accounting estimates and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the nine-month period ended September 30, 2008 except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Company because they are not effective until a future date (refer to Future Accounting Standards below).

The Company is currently assessing the impact of these new accounting standards on its financial statements.

In March 2007, the CICA approved Handbook Section 3031, Inventories, which replaces the existing Handbook Section 3030, Inventories. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories. The Company currently does not have any inventory and therefore this standard has had no impact on the Company's financial statements.

11. Financial Instruments and Other Instruments

The Company is not involved in any hedging program, nor is it party to any financial instruments that may have an impact on its financial position.

12. Other MD&A Disclosure

Disclosure of Outstanding Share Data as at February 27, 2009

	Number or Principal Amount Outstanding	Maximum Number of Common Shares Issuable, if Convertible, Exercisable or Exchangeable
Common Shares	**24,336,445**	**N/A**
Stock Options	**665,000**	**665,000**
Warrants outstanding	**4,903,923**	**4,903,923**
Maximum common shares outstanding		**29,905,368**

13. Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

14. Approvals

The Directors of the Company have approved the disclosure contained in this MD&A and a copy will be provided to anyone who requests it.