Medifocus Inc.

FORM 51-102FI

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2011

August 19, 2011

1. Date

This Management Discussion and Analysis ("MD&A") for the year ended March 31, 2011 is dated August 19, 2011 and should be read in conjunction with the Company's consolidated financial statements for the year ended March 31, 2011. 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 Corporation Act* (Ontario) on April 25, 2005. Prior to completion of the Reverse Takeover with Celsion (Canada) Limited ["Celsion"], 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.

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.

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.

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 $165,000 following the completion of the Qualifying Transaction. 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.

In addition 903,112 shares, valued at $0.50 per share 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. Another 763,168 shares 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.

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.

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. On November 25, 2010, the Company extended the expiry date of 4,090,755 outstanding common share purchase warrants by two years.

The Company incurred a loss of $1,642,717 for the year ended March 31, 2011, compared to a net loss of $880,632 for the previous year. Stock-based compensation expense as well as director and consulting fees increased the loss for the year. Foreign exchange gains were significantly lower in 2011 compared

to 2011 and further added to the loss. Lower investor relations expenses mitigated the loss.

In August 2010 and March 2011, the Company closed two private placement financings raising net cash proceeds of $1,308,608. In addition, the Company raised a further USD $280,000 with an issue of various non-brokered unsecured convertible debentures ["Debentures"] in. The Debentures mature on January 24, 2012. The interest rate on the Debentures is 15% per annum. Upon the request of the Holders, the Debentures plus any 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 prepaid in whole or in part at any time by the Company.

To date, the Company has raised funds principally through the issuance of shares. In the foreseeable future the Company will likely remain dependent on the issuance of shares to raise funds to complete its clinical trials, and on the availability of financing for the development of the Company's technology. Management anticipates that additional financing will be available and may be sourced to allow the Company to continue its research activities. However, there can be no assurance that it will be successful.

Clinical Milestones Accomplished

In July 2011, Medifocus initiated its first two clinical study sites to begin its Pivotal Phase III study for the treatment of large breast cancers in the USA. The two clinical sites are at the University of Oklahoma Breast Institute in Oklahoma City and the Comprehensive Breast Center of Coral Springs Florida, a division of 21st Century Oncology.

Medifocus is currently working with Dr. John R. Keyserlingk, the Principal Investigator at the Ville Marie Multidisciplinary Breast Center in Montreal, Quebec to secure approval of the IRB and initiate the pivotal Phase III study.

3. Clinical Study Development

The Company has completed a complete series of clinical studies. The excellent clinical safety and efficacy results of the studies was the basis of what was used leading up to the approval by both Health Canada and the USA FDA in allowing the Company to begin its Phase III Pivotal Study. Below is the list of completed clinical study.

Phase I FDA Safety Study
Safely heats breast tumors of up to 8cm in diameter to treatment temperature (10 patients)
(Gardner, Annals of Surgical Oncology, vol.9, No. 4, April 2002)

Phase II FDA Dose Escalation Study
Established optimum safe heat treatment dose (25 patients)
(Vargas, Annals of Surgical Oncology, Vol.11, No.2, February 2004)

Phase II FDA Multi-center Randomized Study (Early State Breast Cancer – Heat Alone)
0 of 34 had positive margins with Pre-operative Focused Heat and 4 of 41 or almost 10% had positive margins in the control arm. (75 patients)
(Cancer Therapy, Vol.65, published online Aug 25, 2008)

Phase II FDA Multi-Center Randomized Study (Large Breast Tumors)
Patients indicated for mastectomy and neo-adjuvant chemotherapy (34 patients) 50% improvement in overall tumor shrinkage (and 3X for eradication) when the APA System was used in conjunction with neo- adjuvant Chemotherapy
(Dooley, Annals of Surgical Oncology, Vol.17, No.4, April 2010

Clinical Sites for the Pivotal study in Canada and the USA.
The Company has selected six clinical study sites in Canada and the USA as the core centers to begin the Pivotal trial. In Canada, the principle investigator for the Canadian approved study is Dr. J. Keyserlingk (Ville Marie Medical Center, Montreal, Quebec). In the USA, the principle investigator for the USA approved study is Dr. W. Dooley (Health Science Center, University of Oklahoma, Oklahoma City, Oklahoma). In July , 2011 the USA study has been initiated with both Dr. W. Dooley (Health Science Center, University of Oklahoma, Oklahoma City, Oklahoma and Dr. M. Tomeselli (Comprehensive Breast Center, Coral Springs, Florida).

4. Results of Operations

The Company incurred a loss of $1,642,717 for the year ended March 31, 2011 compared to a loss of $880,632 for the year ended March 31, 2010. Revenues from cash held in bank accounts decreased from $14,900 in fiscal 2010 to $408 this year. The Company issued shares to Directors and Officers which increased Directors fees and consulting and management fees by $306,000 and $134,396 respectfully. Stock-based compensation expense of $305,090 compared to nil in

the previous year increased the loss. Foreign exchange gains were $64,877 for the year compared to a gain of $223,404 in the previous year. The Company decreased investor relations and marketing expenses to $303,503 in fiscal 2011 compared to $497,343 in fiscal 2010.

During the year, the Company re-negotiated the terms of the promissory note issued in conjunction with the bridge financing of USD $150,000 in 2007. 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 were payable December 21, 2009, and were extended to September 30, 2010. The interest rate for the extended period has increased to 1.667% per month from 1.5%. The Company paid USD $15,000, that was applied against outstanding interest, during the year, and the lender agreed to convert USD $54,000 of accrued interest into 275,510 common shares of the Company. Accordingly, this has been removed from promissory note payable and recorded as shares to be issued.

The Company has liabilities of $441,963 [2010 - $463,329] owing to employees and consultants for past compensation. Of this amount, USD $149,638 bears interest at 5% per annum and is payable by April 1, 2011. Accrued interest of $22,446 to March 31, 2011 is included in the total liability. The Company has not paid the amounts owing to employees and consultants as at August 14, 2011. Due to the demand note nature of the amounts due to employees and consultants, the Company has recognized these as short term liabilities.

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.

Medifocus, Inc. is in the business of development and commercialization of minimally invasive, focused-heat tumor targeted cancer treatment devices and systems. It plans to raise the standards of breast cancer care and treatment by using focused microwave heating to enhance neo-adjuvant chemotherapy to provide better tumor shrinkage and control, leading to improved surgical outcomes and ultimately breast preservation.

Medifocus' patented Adaptive Phased Array ("APA") microwave focusing technology platform licensed from the Massachusetts Institute of Technology ("MIT") provides the design of the Company's unique focused heat treatment systems with the capability to direct precision-focused microwave energy at targeted tumors to induce thermotherapy to shrink or eradicate tumors without undue harm to surrounding tissue.

The Company's goal is to improve outcomes and standards of care in cancer treatment. Its first indication, locally advanced breast cancer ("LABC"), involves large tumors that are generally treated first with neo-adjuvant chemotherapy to induce tumor shrinkage and then followed by either radical surgery or breast conservation surgery. Depending on the final size of the tumor Medifocus' focused-heat treatment can significantly improve the efficacy of neo-adjuvant chemotherapy in shrinking LABC, reduce tumor burden and increase the chance of breast conservation by decreasing the need for radical breast surgery. Focused microwaves can be used to shrink breast tumors up to 8 cm in diameter, vastly improving the chance of breast conservation for these patients who under normal circumstances will have no option but to undergo radical breast surgery.

Medifocus owns a proprietary medical device, the Microfocus APA 1000 System (the "APA System"), that 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, and for increased effectiveness over those treatments individually. In addition, the APA System is able 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. Seegenschmiedt et al (editors), *Thermoradiotherapy and Thermochemotherapy, Vol. 1, Biology, Physiology,*

and Physics, Vol. 2, Clinical Applications, Springer, Berlin, 1995. 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 Medifocus' purposes have been licensed exclusively to Medifocus, Inc.. These aspects are primarily related to the focusing of microwave energy, with the generation of energy as a secondary consideration. Medifocus' APA System incorporates further refinements in the precise focusing of microwaves and in detection feedback and mechanisms.

Although Medifocus believes the APA System can be adapted to treat additional forms of cancer, Medifocus has chosen to initially pursue commercialization of the APA System for the treatment of large breast cancer tumors and potentially other forms of breast cancer as well. The company plans to raise the standards of breast cancer care and treatment by using focused microwave heating to enhance neo-adjuvant chemotherapy to provide better tumor shrinkage and control, leading to improved surgical outcomes and ultimately breast preservation.

Company's Business Strategy

Even though the APA focused heat technology platform can be used to develop systems to treat many cancers, the Company decided to focus initially on commercializing a system to treat breast cancer using the following strategy:

1. Develop the system as a tool for breast surgeons to use in combination with standard of care (SOC) neo-adjuvant chemotherapy to increase shrinkage of large and medium sized breast tumors to facilitate conversion from mastectomy to breast conservation surgery, a treatment outcome desired by both the patients and the surgeons.

2. Focus the initial marketing efforts to target surgeon- owned private comprehensive breast care centers in the USA and Canada.

3. The marketing approach is to place the system to recover cost and derive a recurring revenue stream from sales of treatment disposable sensors.

4. Secure adequate insurance reimbursement for focused heat treatment of breast cancer by obtaining from the American Medical Association (AMA) a temporary Category-III CPT code to allow clinical investigators to bill for insurance reimbursements during clinical trials to build an insurance reimbursement reference data base for use in the Company's filing for an official reimbursement CPT code after receipt of the PMA. Based on insurance reimbursements already received from prior clinical investigators, the Company believes that the insurance reimbursement for focused heat treatment of breast cancer should exceed $5,000 for each treatment.

5. Select and secure strategic partners who will assist in obtain regulatory approval and provide distribution sales for the breast cancer treatment systems worldwide.

6. Collaborate with strategic R&D partners to expand the clinical indications for the breast cancer treatment system to cover treatments for other types of breast cancer such as small tumors, DCIS, benign lesions and recurrent chest wall cancer.

7. Using the demonstrated commercial success of the breast cancer system to attract other strategic partners for additional investments and collaborative R&D efforts to build a pipeline of focused heat cancer treatment products for cancers.

Future Growth Strategy

The first clinical indication Medifocus will apply the APA System to is the treatment of large breast cancer tumors in combination with chemotherapy. Medifocus has calculated that large breast cancer tumor patients represent approximately 25% of the total population of breast cancer patients. Medifocus believes it can grow its business significantly by expanding the clinical indication of the APA System to include other forms and stages of breast cancer (including Ductal Carcinoma In Situ or "DCIS", early stage breast tumors, recurrent chest wall and benign lesions). Medifocus plans to conduct pilot studies on these additional indications, followed by clinical trials in order to gain regulatory approval for the expanded indications of use. Successful receipt of regulatory approval for additional indications would greatly expand the potential markets for the APA System.

Breast cancer is a worldwide disease. Assuming Pre-market Approval from the FDA and Health Canada for the APA System is obtained; Medifocus plans to seek necessary regulatory approvals and distributors for the APA System outside of North America, in particular in Europe and Asia, to expand the market distribution. Medifocus believes that the APA System can be adopted to treat additional forms of cancer and it is Medifocus' intention, if funds are available and conditions are right, to seek strategic partners internationally to develop various APA-based focused heating systems for other major cancers.

Successful implementation of Medifocus' growth strategy would result in Medifocus becoming a global medical device cancer treatment company.

Significant Milestones

Medifocus has completed a series of Clinical studies , from Phase I, Phase II, and Phase IIA and B studies under IDE approval from the FDA.

Using the clinical safety and efficacy data from the above studies, Medifocus submitted applications to Health Canada and the FDA in the US, and received approval to conduct a pivotal Phase III study. Upon successful completion of the pivotal Phase IIIl Study, Medifocus will then submit for commercial approval.

In June of 2009, Medifocus was granted the Investigational Testing Authorization (ITA) from Health Canada's Medical Device Bureau (MDB) for initiating Medifocus' pivotal trial with the Microfocus APA 1000 Breast Thermotherapy System for the treatment of breast cancer. The ITA application has already been reviewed by MDB and has fulfilled Part 3 of the Medical Devices Regulations and is now authorized to conduct the pivotal trial in Canada.

In March of 2010, Medifocus was granted an Investigational Device Exemption (IDE) approval from the Food and Drug Administration (FDA) to initiate a pivotal Phase III clinical trial upon obtaining institutional review board (IRB) approval from the clinical sites, using the Company's Microfocus APA 1000 System for the treatment of breast cancer.

In May of 2010, Health Canada approved an amended Pivotal Phase III study so that it will be the same as that was approved by FDA. The Company's strategy is to obtain the PMA from both Canada and the USA to best position the APA 1000 for commercial marketing and sales worldwide.

In order to begin the actually clinical studies in Canada and the USA, after allowance by the respective regulatory agencies, each clinical site must gain Institutional Review Board (IRB) approval.

In October of 2010, Medifocus announced it has recently received notice of allowances for two additional international patents to expand its extensive Intellectual Properties (IP) portfolio in addition to the patents Medifocus has exclusively licensed from the Massachusetts Institute of Technology (MIT).

In October of 2010, University of Oklahoma Health Sciences Center's Institutional Review Board (IRB) has granted final approval to conduct Medifocus' Pivotal Phase III Breast Cancer Treatment Study at the University of Oklahoma Breast Institute, in Oklahoma City, under the supervision of William C. Dooley, M.D. the Principal Investigator for the Food and Drug Administration (FDA) approved study.

In March of 2011, Medifocus announced that its company information was accepted to be made available via Standard & Poor's Market Access Program, an information distribution service that enables subscribing publicly traded companies to have their company information disseminated to users of Standard & Poor's Advisor Insight.

In June of 2011, Medifocus announced, its shares will commence trading on the OTCQX tier of the OTC marketplace, the United States' 3rd largest U.S. equity trading venue after the NASDAQ and NYSE.

In July of 2011, Medifocus announced that the Western Institutional Review Board (WIRB) has granted IRB approval to the Comprehensive Breast Center of Coral Springs Florida, a division of 21st Century Oncology to conduct Medifocus' Pivotal Phase III Breast Cancer Treatment Study, under the supervision of Dr. Mary Beth Tomaselli, M.D.

In July of 2011, Medifocus announced to announce, it has successfully initiated its first two clinical study sites to begin its Pivotal Phase III study for the treatment of large breast cancers. The two clinical sites are at the University of Oklahoma Breast Institute in Oklahoma City and at the Comprehensive Breast Center of Coral Springs Florida, a division of 21st Century Oncology.

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; technological change; 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.

5. Summary of Quarterly Results

The following table sets forth, for the quarters indicated, information relating to the Company's revenue, net loss and loss per common shares.

	Revenues	Net Loss	Basic and Diluted Net Loss / Share
June 30, 2009	**9,970**	(142,042)	(0.005)
September 30, 2009	**3,534**	(278,367)	(0.0114)
December 31, 2009	**351**	(115,979)	(0.005)
March 31, 2010	**1,045**	(344,244)	(0.0141)
June 30, 2010	–	(322,512)	(0.0131)
September 30, 2010	–	(175,640)	(0.0069)
December 31, 2010	–	(105,121)	(0.0041)
March 31, 2011	**408**	(1,039,444)	(0.0040)

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

6. Liquidity

In August 2010 and March 2011, the Company closed two private placement financings raising net cash proceeds of $1,308,608. In addition, the Company raised a further USD $280,000 with an issue of various non-brokered unsecured convertible debentures ["Debentures"] in. The Company's total liabilities exceed its current assets by $1,457,695. The Company is actively seeking financing to fund its clinical trials and working capital for the year.

To date, the Company has raised funds principally through the issuance of shares. In the foreseeable future the Company will likely remain dependent on the issuance of shares to raise funds to complete its clinical trials, and on the availability of financing for the development of the Company's technology. Management anticipates that additional financing will be available and may be sourced to allow the Company to continue its research activities. However, there can be no assurance that it will be successful.

7. Capital Resources

The Company does not have sufficient capital resources to meet its desired development programs for fiscal 2011. Financing plans have been delayed with the collapse in financial markets. The Company raised $1,308,608 in net cash proceeds through two private placement during the year, however, further funding is required. An additional $280,000 was raised in December 2010 and January 2011 through the issuance of a Convertible Debenture. The Convertible Debentures mature 12 months after the date of issue and bear interest at 15% per annum, payable upon the earliest to occur of the maturity date or conversion in full into common shares of the Company. The Company is currently considering various alternatives to raise the required funds.

8. 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.

9. Transactions with Related Parties

Included in amounts expensed and payable is approximately $188,037 [2010 - $169,553] owed to the Chief Executive Officer for salary and un-reimbursed expenses. The Company has paid marketing fees of $112,440 [2010 - $90,000] and administrative fees of $10,500 [2010 - $42,000] to two Companies in which a Director of Medifocus is also a Director of both of the respective Companies.

On March 17, in accordance with the Company's approved compensation strategy, and pursuant to the terms and conditions of the Corporation's Stock Option Plan, the Company issued stock options and shares to Directors and Officers as detailed below.

Participant	Shares Grant	Options Vesting on March 17, 2011	Options Vesting on March 19, 2012	Total Options Grant
Grant Walsh	450,000	250,000	250,000	500,000
Joseph Chan	250,000	150,000	150,000	300,000
Gus Chow	150,000	150,000	150,000	300,000
Ernie Eves	500,000	500,000	N/A	500,000
Joe Tai	350,000	150,000	150,000	300,000
Dr. Augustine Cheung	600,000	900,000	N/A	900,000
John Mon	500,000	600,000	N/A	600,000
Mirsad Jakubovic	200,000	300,000	N/A	300,000

The options have an exercise price of $0.20 per Share and a term of five (5) years. The share grants were all recognized at a price of $0.18 per share.

10. Critical Accounting Estimates

The Company's significant accounting policies are presented in Note 2 of the consolidated financial statements for the year ended March 31, 2011.

11. Changes in Accounting Policies

Future accounting changes

Business Combinations [Section 1582], Consolidated Financial Statements [Section 1601] and Non-controlling Interests [Section 1602]

These sections replace the former *Section 1581, Business Combinations* and *Section 1600, Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to FASB Statements No. 141(R) Business Combinations and No. 160, Non-controlling interests in Consolidated Financial Statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ["IFRS"]

The Accounting Standards Board has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

The Company has undertaken a project to assess the potential impacts of the transition to IFRS and has developed a detailed project plan to ensure compliance with the new standards.

The Company will prepare financial statements in accordance with IFRS starting with interim statements for the quarter ended June 30, 2011. These statements will require 2010 comparatives in accordance with IFRS. As a result, the financial statements prepared under Canadian GAAP for 2010 will need to be restated to conform to IFRS for comparative purposes. The Company's transition date is April 1, 2011.

IFRS 1, First-time Adoption of International Financial Reporting Standards

IFRS 1 applies when an entity adopts IFRS for the first time and generally requires that the Company retrospectively apply each standard in effect as at

March 31, 2011, the date of the Company's first annual IFRS financial statements, as if the Company had always applied those standards. However, IFRS 1 provides certain optional exemptions and mandatory exceptions to the principle of retrospective application. The Company will elect the optional exemption for business combinations. This allows us to avoid retrospectively applying IFRS 3 (2008), Business Combinations, to business combinations prior to January 1, 2010. This exemption also applies to purchases accounted for as asset acquisitions under Canadian GAAP that would qualify as business combinations under IFRS 3 (2008), which contains a broader definition of a business. Other significant IFRS 1 exemptions that apply to us are described below.

In accordance with the requirements of IFRS 1, the Company will record transition adjustments where applicable against retained earnings as at April 1, 2010 for differences between the Company's Canadian GAAP and IFRS accounting.

12. International Financial Reporting Standards ["IFRS"]

The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended June 30, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the year ended March 31, 2012. The Company's 2012 interim and annual financial statements will include comparative 2011 financial statements, adjusted to comply with IFRS. It is expected that the overall presentation of the financial statements will change significantly, as the Company complies with increased disclosure requirements under IFRS and differing presentations of the balance sheet and statements of loss, comprehensive loss and deficit and cash flows. The Company is currently assessing the impact of transition to IFRS on its consolidated financial statements.

Management anticipates completing its conversion to IFRS on a timely basis under the following convergence plan. The conversion to IFRS is being led by the Company's Vice-President and Chief Financial Officer, who along with outside consultants and the Company's auditor, will execute the conversion project in accordance with the following phases

Phase 1; Review and Assessment

In this phase, management will conduct a detailed review of all relevant IFRS standards to identify differences with the Company's current accounting policies and practices, give separate consideration of one-time accounting policy alternatives that must be addresses at the IFRS adoption date, and address those accounting policy choices that will be applied on an ongoing basis in periods subsequent to adoption of IFRS.

Management is currently in the 'review and assessment' stage and is evaluating the impact of IFRS on its financial statement and prioritizing those differences that could have a significant impact on our financial statements. Management has completed its review and assessment.

Phase 2; Implementation

In this phase, management will implement the changes to affected accounting policies and practice, business processes, systems and internal controls. The changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are properly addressed at the time for the changeover to IFRS.

This phase is started in the first quarter of 2011 allowing management ample time to comply with reporting under IFRS.

Significant accounting impacts of conversion to IFRS

Management expects differences between Canadian GAAP and IFRS to impact the Company's accounting activities at varying degrees, some of which are dependent on policy-choice decisions available in the transition period. The Company's main objective in the selection of IFRS policies and transition elections is to become IFRS compliant while ensuring it provides meaningful and transparent information to stakeholders. The audit committee of the Company will be kept informed of management's decisions on accounting policy choices under IFRS, project status and significant IFRS developments.

The following is a summary of potential accounting policy differences that have been identified to date. The Company has not yet quantified the impact of these differences on its consolidated financial statements.

Product Development Costs

The Company is in the research and clinical trials stage and under Canadian GAAP currently capitalizes all costs related to product development. Management regularly reviews the carrying value of its product development costs for evidence of impairment, and makes a provision when the carrying values are estimated to exceed their net recoverable amounts.

Under IFRS product development costs shall continue to be measured at cost, but the Company will have to determine an accounting policy specifying which expenditures are to be recognized as product development assets, and then apply that policy consistently.

In addition, under IFRS and under International Accounting Standard (IAS) 36, "*Impairment f Assets*", the Company will be required to assess at the end of each reporting period whether there is any indication that the asset may be impaired. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist. Canadian GAAP prohibits reversal of impairment losses. It is expected therefore, that there will be increased volatility in impairment recognition due to increase in frequency of assessment and possibility of reversal of impairments.

Plant and Equipment

IFRS requires that the Company identify the different components of fixed assets and record amortization based on the useful life of each component. The Company has reviewed the depreciation of its existing equipment and does not expect any material differences between IFRS and the Company's current depreciation policies.

Other Policy Differences

A number of differences between Canadian GAAP and IFRS have been identified, but their applicability and potential impact to the Company have not yet been assessed, including the accounting for income taxes, foreign currency transactions, stock-based compensation, financial instruments and disclosure requirements. These differences may have a material impact on the Company's financial statements. A more detailed review of the impact of IFRS on the Company's consolidated financial statements is in progress.

Management will continue to monitor current IFRS developments as changes are expected to come into effect as the Company transitions to IFRS.

Other impacts of conversion to IFRS: Information Technology and Data Systems, Internal Controls Over Financial Reporting, Disclosure Controls and Procedures, and Business Activities and Key Performance Measures

In addition to the impact of IFRS on accounting policies, management is also in the process of assessing the impact of IFRS adoption on the Company's internal controls over financial reporting, disclosure controls and procedures, information technology and data systems. As a preliminary assessment, the Company does not expect that the conversion to IFRS will have a significant impact on its accounting processes and internal controls, information technology and data systems.

The conversion from Canadian GAAP to IFRS will require the implementation of a new set of accounting standards, and the internal controls over financial reporting will need to address the initial reporting of IFRS financial statements, including related note disclosures, as well as on-going financial reporting. As the review of the accounting policies is completed, appropriate changes to ensure the integrity of internal control over financial reporting will be made. For example, under IFRS 6 and IAS 36, discussed above, the Company will be required to assess at the end of each reporting period whether there has been any indication that the asset may be impaired. Additional controls will be need to be designed and implemented to ensure that the recorded balance is fairly stated at each reporting period. It is anticipated that such controls will include senior management oversight on the development of key assumptions and variables.

In the implementation phase of the IFRS conversion plan commencing in the fourth quarter of 2010, the Company will be updating its disclosure controls and procedures to ensure that they are appropriate for reporting under IFRS. The Company will also ensure that its key stakeholders are informed about anticipated effects of the IFRS transition.

Financial Reporting Expertise

Management will be relying on outside consultants and auditors to assist with the transition where sufficient technical expertise does not exist in-house.

13. 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.

14. Other MD&A Disclosure

Outstanding Share Data as at August 17, 2011

	Number or Principal Amount Outstanding	Maximum Number of Common Shares Issuable, if Convertible, Exercisable or Exchangeable
Common Shares	30,531,442	N/A
Stock Options	3,700,000	3,700,000
Shares to be issued	6,867,615	6,867,615
Warrants outstanding	10,285,752	10,285,752
Maximum common shares outstanding		51,384,809

15. 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 March 31, 2011. 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.

16. Subsequent Events

On June 28, 2011, the Company completed a private placement for 1,000,000 common shares at a price of $0.30 per common share raising gross proceeds of $300,000.

17. 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.