MEDICENNA

Condensed consolidated interim financial statements of

Medicenna Therapeutics Corp.

(Expressed in Canadian Dollars)

For the three and nine month periods ended December 31, 2018

Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

as at

	December 31, 2018	March 31, 2018
	$	$
Assets		
Current assets		
Cash	**4,645,232**	3,938,734
Prepaids and deposits	**171,790**	187,108
Government grant receivable (Note 10)	**1,033,072**	-
Other receivables	**84,776**	160,716
	5,934,870	4,286,558
Intangible assets (Note 11)	**82,442**	86,152
Fixed assets	**468**	1,872
	6,017,780	4,374,582
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**2,334,284**	1,875,786
	2,334,284	1,875,786
License fee payable (Note 11)	**178,130**	336,971
	2,512,414	2,212,757
Shareholders' Equity		
Common shares (Note 7)	**16,615,648**	14,302,195
Contributed surplus (Notes 8 and 9)	**8,396,926**	5,790,341
Accumulated other comprehensive income	**233,369**	150,909
Deficit	**(21,740,577)**	(18,081,620)
	3,505,366	2,161,825
	6,017,780	4,374,582

Nature of business (Note 1)

Approved by the Board

/s/ Albert Beraldo Director

/s/ Chandra Panchal Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Operations
(Expressed in Canadian Dollars)
(Unaudited)

	3 months ended December 31, 2018	3 months ended December 31, 2017	**9 months ended December 31, 2018**	9 months ended December 31, 2017
	$	$	**$**	$
Operating expenses				
General and administration (Note 13)	**437,218**	824,007	**1,295,132**	1,894,230
Research and development (Note 13)	**1,275,896**	1,351,703	**2,356,683**	4,226,141
Total operating expenses	**1,713,114**	2,175,710	**3,651,815**	6,120,371
Interest income	**(1)**	(376)	**(102)**	(3,119)
Foreign exchange loss	**9,968**	5,688	**7,244**	37,694
	9,967	5,312	**7,142**	34,575
Net loss for the period	**(1,723,081)**	(2,181,022)	**(3,658,957)**	(6,154,946)
Cummulative translation adjustment	**71,716**	31,057	**82,460**	(93,522)
Comprehensive loss for the period	**(1,651,365)**	(2,149,965)	**(3,576,497)**	(6,248,468)
Basic and diluted loss per share for the period	**(0.07)**	(0.09)	**(0.15)**	(0.25)
Weighted average number of common shares outstanding (Note 7)	**25,012,920**	24,344,048	**24,723,592**	24,334,108

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

		Nine months ended December 31, 2018	Nine months ended December 31, 2017
		$	$
Operating activities			
Net loss for the period		**(3,658,957)**	(6,154,946)
Items not involving cash			
Depreciation		**5,114**	7,999
Stock based compensation		**762,150**	1,142,658
R&D warrant expense		**710,574**	710,574
Government grant expense recoveries		**(4,213,564)**	(3,859,512)
Unrealized foreign exchange		**(60,541)**	16,555
Changes in non-cash working capital			
Other receivables and deposits		**91,258**	(3,248)
Accounts payable and accrued liabilities		**343,998**	1,006,685
		(6,019,968)	(7,133,235)
Investing activities			
Long term license fee payable		**(158,841)**	(159,000)
		(158,841)	(159,000)
Financing activities			
Government grant received		**3,242,073**	-
Prospectus offering (Note 7)		**3,579,744**	-
Warrant and option exercises		**-**	43,000
		6,821,817	43,000
Effect of foreign exchange on cash		**63,490**	(390,656)
Net increase (decrease) in cash		**706,498**	(7,639,891)
Cash, beginning of period		**3,938,734**	14,038,115
Cash, end of period		**4,645,232**	6,398,224
Other non-cash transactions			
Broker warrants issued	**$**	**91,000**	-
Warrants issued	**$**	**1,042,861**	-
Share issuance costs accrued though accounts payable and accrued liabilities	**$**	**132,430**	-

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common shares issued and outstanding				Contributed Surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number		Amount					
			$		$	$	$	$
Balance, March 31, 2017	**24,313,334**		**13,463,734**		**3,594,945**	**214,230**	**(10,616,168)**	**6,656,741**
Stock based compensation	-		-		236,294	-	-	236,294
Research and development warrant amortization	-		-		236,858	-	-	236,858
Warrant and option exercises	30,714		66,250		(23,250)	-	-	43,000
Net loss and comprehensive loss	-		-		-	(44,931)	(2,255,672)	(2,300,603)
Balance, June 30, 2017	**24,344,048**	**-**	**13,529,984**	**-**	**4,044,847**	**169,299**	**(12,871,840)**	**4,872,290**
Stock based compensation	-		-		269,965	-	-	269,965
Research and development warrant amortization	-		-		236,858	-	-	236,858
Warrant and option exercises	-		-		-	-	-	-
Net loss and comprehensive loss	-		-		-	(79,648)	(1,718,252)	(1,797,900)
Balance, September 30, 2017	**24,344,048**	**-**	**13,529,984**	**-**	**4,551,670**	**89,651**	**(14,590,092)**	**3,581,213**
Stock based compensation	-		-		636,399	-	-	636,399
Research and development warrant amortization	-		-		236,858	-	-	236,858
Warrant and option exercises	-		-		-	-	-	-
Net loss and comprehensive loss	-		-		-	31,057	(2,181,022)	(2,149,965)
Balance, December 31, 2017	**24,344,048**	**-**	**13,529,984**	**-**	**5,424,927**	**120,708**	**(16,771,114)**	**2,304,505**
Balance, March 31, 2018	**24,578,137**		**14,302,195**		**5,790,341**	**150,909**	**(18,081,620)**	**2,161,825**
Stock based compensation	-		-		256,072	-	-	256,072
Research and development warrant amortization	-		-		236,858	-	-	236,858
Net loss and comprehensive loss	-		-		-	27,196	(1,038,217)	(1,011,021)
Balance, June 30, 2018	**24,578,137**	**-**	**14,302,195**	**-**	**6,283,271**	**178,105**	**(19,119,837)**	**1,643,734**
Stock based compensation	-		-		268,797	-	-	268,797
Research and development warrant amortization	-		-		236,858	-	-	236,858
Net loss and comprehensive loss	-		-		-	(16,452)	(897,659)	(914,111)
Balance, September 30, 2018	**24,578,137**	**-**	**14,302,195**	**-**	**6,788,926**	**161,653**	**(20,017,496)**	**1,235,278**
Stock based compensation	-		-		237,281	-	-	237,281
Research and development warrant amortization	-		-		236,858	-	-	236,858
Issued on financing (Note 7(a))	4,000,000		2,313,453		1,133,861	-	-	3,447,314
Net loss and comprehensive loss	-		-		-	71,716	(1,723,081)	(1,651,365)
Balance, December 31, 2018	**28,578,137**	**-**	**16,615,648**	**-**	**8,396,926**	**233,369**	**(21,740,577)**	**3,505,366**

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

1. Nature of business

Medicenna Therapeutics Corp. (“Medicenna” or the "Company") was incorporated as A2 Acquisition Corp. (“A2”) under the Alberta Business Corporations Act on February 2, 2015 and was classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange") Corporate Finance Manual. On March 1, 2017, the Company completed a qualifying transaction with Medicenna Therapeutics Inc. (“MTI.”) and the name of the Company was changed to Medicenna Therapeutics Corp. (the “Transaction”). MTI has been identified for accounting purposes as the acquirer, and accordingly the entity is considered to be a continuation of MTI and the net assets of A2 at the date of the Transaction are deemed to have been acquired by MTI. These consolidated financial statements include the results of operations of Medicenna from March 1, 2017. On August 2, 2017 Medicenna graduated to the main board of the Toronto Stock Exchange. On November 13, 2017, Medicenna continued under the Canadian Business Corporations Act.

Medicenna has three wholly owned subsidiaries, Medicenna Therapeutics Inc. (“MTI”) (British Columbia), Medicenna Biopharma Inc. (“MBI”) (Delaware) and Medicenna Biopharma Inc. (“MBIBC”). (British Columbia).

The Company's principal business activity is the development and commercialization of Empowered Cytokines™ and Superkines™ for the treatment of cancer.

As at December 31, 2018, the head office is located at 200-1920 Yonge Street, Toronto, Ontario, Canada, and the registered office is located at 181 Bay Street, Suite 2100, Toronto, Ontario, Canada.

2. Basis of presentation and significant accounting policies

a) *Statement of compliance*

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (IAS 34) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting and Interpretations Committee (“IFRIC”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the period ended March 31, 2018.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on February 14, 2019.

b) *Going Concern*

Management has forecasted that the Company’s current level of cash will not be sufficient to execute its current planned expenditures for the next 12 months without further financing being obtained. The Company is in ongoing discussion with several potential investors and partners to provide additional funding. Management believes that it will complete one or more of these arrangements in sufficient time to continue to execute its planned expenditures. However, there can be no assurance that the capital will be available as necessary to meet these continuing expenditures, or if the capital is available, that it will be on terms acceptable to the Company. The issuance of common shares by the Company could result in significant dilution in the equity interest of existing shareholders. There can be no assurance that the Company will be able to obtain sufficient financing to meet future operational needs which may result in the delay, reduction or discontinuation of ongoing development programs. As a result, there is a substantial doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they fall due.

2. Basis of presentation and significant accounting policies cont'd

These condensed consolidated financial statements do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and settle its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such amounts could be material.

c) *Functional and presentation currency*

The functional currency of an entity and its subsidiary is the currency of the primary economic environment in which the entity operates. The functional currency of the parent company is the Canadian dollar and the functional currency of MBI is the US dollar, the functional currency of MTI and MBIBC is the Canadian dollar and the presentation currency of the Company is the Canadian dollar.

d) *Significant accounting judgements, estimates and assumptions*

The preparation of these unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The unaudited condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The accompanying unaudited condensed consolidated interim financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended March 31, 2018. They do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed consolidated interim financial statements. Operating results for the nine month period ended December 31, 2018, are not necessarily indicative of the results that may be expected for the full year ended March 31, 2019. For further information, see the Company's audited consolidated financial statements including notes thereto for the year ended March 31, 2018.

e) *New accounting policy*

The following IFRS pronouncement has been adopted during 2019:

The Company has adopted new accounting standard IFRS 9 - Financial Instruments, effective for the Company's annual period beginning April 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - Financial instruments: recognition and measurement. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The Company continues to classify and measure its cash at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"). Other receivables and government grant receivables are classified initially at FVTPL, and subsequently at amortized cost

2. Basis of presentation and significant accounting policies cont'd

using the effective interest rate method. Accounts payable and accrued liabilities are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

3. Accounting Standards issued for adoption in future periods

The following IFRS pronouncement has been issued but is not yet effective:

IFRS 16, Leases. In January 2016 the IASB issued IFRS 16 Leases ("IFRS 16") which requires lessees to recognize assets and liabilities for most leases on their statements of financial position. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. The new standard will be effective for annual periods beginning on or after January 1, 2019 with limited early application permitted. The Company does not have any leases and has therefore determined that this standard will not have an impact on its unaudited interim condensed consolidated financial statements.

4. Capital disclosures

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments).

There were no changes to the Company's capital management policy during the year. The Company is not subject to any externally imposed capital requirements.

5. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash, government grant receivable, other receivables, accounts payable and accrued liabilities, and license fee payable. The fair value of these instruments, approximate their carrying values due to their short-term maturity.

Classification of financial instruments

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash is measured using Level 1 inputs and changes in fair value are recognized through profit or loss, with changes in fair value being recorded in net earnings at each period end.

Government grant receivable and other receivables have been classified at amortized costs.

5. Financial risk management cont'd

Accounts payable and accrued liabilities have been classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, currency and liquidity risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary.

(b) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents.

The Company manages credit risk associated with its cash by maintaining minimum standards of R1-med or A-high investments and the Company invests only in highly rated Canadian corporations which are capable of prompt liquidation.

(c) Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company believes that its exposure to interest rate risk is not significant.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles all of its financial obligations out of cash. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs (refer to Note 2 (b)). As at December 31, 2018, the Company's liabilities consist of accounts payable and accrued liabilities that have contracted maturities of less than one year.

(e) Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk from employee costs as well as the purchase of goods and services primarily in the United States and cash balances held in foreign currencies. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease in loss and comprehensive loss for the nine months ended December 31, 2018 of $31,000 (March 31, 2018 - $88,000).

Balances in US dollars are as follows:

	December 31, 2018	March 31, 2018
	$	$
Cash	**709,039**	2,115,262
Accounts payable and accrued liabilities	**(1,238,321)**	(1,429,909)
Deferred government grant receivable	**757,940**	-
	228,658	685,353

(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

	December 31, 2018	March 31, 2018
	$	$
Trade payables	**490,334**	877,300
Accrued liabilities	**1,843,950**	998,486
	2,334,284	1,875,786

7. Share Capital

Authorized

Unlimited common shares

Calculation of loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding. For the nine months ended December 31, 2018 and 2017 the calculation was as follows:

	Three months ended December 31,		**Nine months ended December 31,**	
	2018	2017	**2018**	2017
Common shares issued and outstanding, beginning of period	**24,578,137**	24,344,048	**24,578,137**	24,313,334
Effect of warrants and options exercised	**-**	-	**-**	20,774
Common shares issued during the period (Note 7(a))	**437,783**	-	**145,455**	-
Weighted average shares outstanding, end of period	**25,012,920**	24,344,048	**24,723,592**	24,334,108

The effect of any potential exercise of the Company's stock options and warrants outstanding during the period has been excluded from the calculation of diluted loss per common share as it would be anti-dilutive.

(a) December 2018 Unit Offering

On December 21, 2018, the Company closed a short-form prospectus offering of 4,000,000 units for gross proceeds of $4,000,000. Each unit consisted of one common share of the Company and one-half common share purchase warrant of the Company. Each full warrant entitles the holder to purchase one common share, for five years after the closing of the offering, at an exercise price of $1.20 per common share. Medicenna has issued 4,000,000 common shares and 2,000,000 warrants and 280,000 broker warrants.

The total costs associated with the transaction were approximately $643,686, including the $91,000 which represented the fair value of the brokers' services provided as part of the offering. Each such broker warrant is exercisable for one common share at a price of $1.20 per share for a period of 24 months following the closing of the Offering. The Company has allocated the net proceeds of the offering to the common shares and the common share purchase warrants based on their estimated relative fair values. Based on relative fair values, $2,404,453 of the net proceeds were allocated to the common shares and $1,042,861 to the common share purchase warrants.

(Expressed in Canadian Dollars)

8. Warrants

Warrant continuity:

	Number of Warrants	Weighted average exercise price
Balance outstanding at March 31, June 30 and September 30, 2017	**3,294,105**	**$ 2.00**
Warrants exercised during the period	(164,447)	2.00
Warrants expired during the period	(55,616)	2.00
Balance outstanding at March 31, 2018	**3,074,042**	**$ 2.00**
Warrants expired during the period	(28,617)	2.00
Balance outstanding at June 30, 2018 and September 30, 2018	**3,045,425**	**$ 2.00**
Warrants expired during the period	(30,820)	2.00
Common share purchase warrants issued in the financing (Note 7(a))	2,000,000	1.20
Broker warrants issued in the financing (Note 7(a))	280,000	1.20
Balance outstanding and exercisable at December 31, 2018	**5,294,605**	**$ 1.70**

As at December 31, 2018, the incentive warrants issued on January 1, 2017 have been fully amortized and a total of $1,894,860 has been recognized in contributed surplus representing the fair value of these warrants. During the nine months ended December 31, 2018, the Company recognized $710,574 to research and development warrant expense (2017 - $710,574).

At December 31, 2018, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
	$	
149,522	2.00	February 28, 2019
1,379,083	2.00	January 1, 2021
1,288,000	2.00	March 1, 2021
198,000	2.00	April 5, 2021
280,000	1.20	December 21, 2020
2,000,000	1.20	December 21, 2023
5,294,605		

9. Stock Options

During the nine months ended December 31, 2018 the Company granted 200,000 stock options exercisable at $1.09 per share, with a 5-year life. The options vest 25% on issue on September 1, 2018, 25% on December 1, 2018, 25% on March 1, 2019 and 25% on June 1, 2019. During the nine months ended December 31, 2017, the Company granted 125,000 stock options exercisable at $2.40 per share, 700,000 stock options exercisable at $2.01 per share and 200,000 stock options exercisable at $2.88 per share. The options vest 50% after one year, 25% after two years and 25% after three years and have a ten-year life. No stock options were issued in the three months ended December 31, 2018.

(Expressed in Canadian Dollars)

9. Stock Options cont'd

Stock option transactions for the nine months ended December 31, 2018 are set forth below:

	Number of options		Weighted average exercise price
Balance outstanding at March 31, 2017	**1,291,657**	**$**	**1.97**
Granted	125,000		2.40
Exercised	(30,714)		1.40
Balance outstanding at June 30, 2017	**1,385,943**	**$**	**2.02**
Granted	700,000		2.01
Expired	(3,800)		1.40
Forfeited	(125,000)		2.40
Balance outstanding at September 30, 2017	**1,957,143**	**$**	**2.00**
Granted	200,000		2.88
Balance outstanding at December 31, 2017	**2,157,143**	**$**	**2.08**

Balance outstanding at March 31, 2018	**2,175,000**	**$**	**2.11**
Forfeited	(125,000)		2.40
Balance outstanding at June 30, 2018	**2,050,000**	**$**	**2.11**
Granted	200,000		1.09
Balance outstanding at September 30, 2018 and December 31, 2018	**2,250,000**	**$**	**2.02**

The following table summarizes information about stock options outstanding at December 31, 2018:

	Options Outstanding			Options Exercisable	
Exercise Prices	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
$		**Years**	**$**		**$**
1.09	200,000	4.66	1.09	100,000	1.09
2.00	1,100,000	8.13	2.00	550,000	2.00
2.01	700,000	8.73	2.01	350,000	2.01
2.88	200,000	3.86	2.88	100,000	2.88
3.00	50,000	3.24	3.00	50,000	3.00
	2,250,000	**7.10**	**2.02**	**1,150,000**	**2.04**

(Expressed in Canadian Dollars)

9. Stock Options cont'd

The following assumptions were used in the Black-Scholes option-pricing model to determine the fair value of stock options granted during the following nine month periods:

	December 31, 2018	December 31, 2017
Exercise price	$1.09	$2.01-2.88
Grant date share price	$1.09	$2.01-2.88
Risk free interest rate	3.0%	0.52-1.75%
Expected life of options	2.5 years	5 years
Expected volatility	100%	85-100%
Expected dividend yield	-	-
Weighted average fair value of options granted during the period	$0.64	$1.63

10. Government assistance

CPRIT assistance

In February 2015, the Company received notice that it had been awarded a grant by the Cancer Prevention Research Institute of Texas ("CPRIT") whereby the Company is eligible to receive up to US$14,100,000 on eligible expenditures over a three year period related to the development of the Company's phase 2b clinical program for MDNA55. In October 2017 the Company was granted a one year extension to the grant allowing expenses to be claimed over a four year period ending February 28, 2019. On February 4, 2019 the Company was approved for a further six month extension ending August 31, 2019.

Ongoing program funding from CPRIT is subject to a number of conditions including the satisfactory achievement of milestones that must be met to release additional CPRIT funding, proof the Company has raised 50% matching funds and maintaining substantial functions of the Company related to the project grant in Texas as well as using Texas-based subcontractor and collaborators wherever possible. There can be no assurances that the Company will continue to meet the necessary CPRIT criteria, satisfactorily achieve milestones, or that CPRIT will continue to advance additional funds to the Company.

If the Company is found to have used any grant proceeds for purposes other than intended, is in violation of the terms of the grant, or relocates its operations outside of the state of Texas, then the Company is required to repay any grant proceeds received.

Under the terms of the grant, the Company is also required to pay a royalty to CPRIT, comprised of 3-5% of revenues until aggregate royalty payments equal 400% of the grant funds received at which time the ongoing royalty will be 0.5%.

During the nine months ended December 31, 2018, the Company received $3,242,073 (2017 - $Nil). The amount receivable at December 31, 2018 of $1,033,072 (US $757,940), represents funds spent on grant expenditures, but not yet reimbursed.

11. Commitments

Intellectual Property

On August 21, 2015, the Company exercised its right to enter into two license agreements (the "Stanford License Agreements") with the Board of Trustees of the Leland Stanford Junior University ("Stanford"). In connection with this licensing agreement the Company issued 649,999 common shares with a value of $98,930 to Stanford and affiliated inventors. The value of these shares has been recorded as an intangible

(Expressed in Canadian Dollars)

11. Commitments cont'd

asset that is being amortized over the life of the underlying patents. As at December 31, 2018, the Company's intangible assets have a remaining capitalized netbook value of $82,442 (March 31, 2018 - $86,152).

The Company has entered into various license agreements with respect to accessing patented technology. In order to maintain these agreements, the Company is obligated to pay certain costs based on timing or certain milestones within the agreements, the timing of which is uncertain. These costs include ongoing license fees, patent prosecution and maintenance costs, royalty and other milestone payments. As at December 31, 2018, the Company is obligated to pay the following:

- Patent licensing costs due within 12 months totaling $47,000.
- Patent licensing costs, including the above, due within the next five years totaling $380,000.
- Project milestone payments, assuming continued success in the development programs, of uncertain timing totaling US$2,800,000 and an additional US$2,000,000 in sales milestones.
- A liquidity payment of $178,130 to the National Institute of Health ("NIH") which represents the remaining payment resulting from the Company's liquidity event in March 2017.

Contractual obligations	**1 year**	**1-3 years**	**3-5 years**	**Total**
Patent licensing costs, minimum annual royalties per license agreements	$ 47,000	$ 93,000	$ 240,000	$ 380,000
Liquidity event payment (1)	$ 178,130	$ 178,130	$ 0	$ 356,260

(1) During the period ended December 31, 2018, the Company adjusted $178,130 from license fee payables to accounts payable and accrued liabilities. This amount remains in accrued liabilities at December 31, 2018.

12. Related party disclosures

(a) Key management personnel

Key management personnel, which consists of the Company's officers (President and Chief Executive Officer, Chief Financial Officer, and Chief Development Officer) and directors, earned the following compensation for the following periods:

	Three months ended December 31,		**Nine months ended December 31,**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries and wages	**249,749**	236,272	**668,811**	852,284
Board fees	**34,983**	36,195	**106,188**	85,692
Stock option expense	**170,162**	548,650	**605,874**	926,544
Related party rent	**7,471**	-	**19,422**	-
	462,365	821,117	**1,400,295**	1,864,520

During the nine months ended December 31, 2018, the Company paid $19,422 in office rent to Aries Biologics Corp, a company controlled by the CEO and CDO of the Company.

This transaction was in the normal course of business and has been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

12. Related party disclosures cont'd

(b) Amounts payable to related parties

As at December 31, 2018, the Company had trade and other payables in the normal course of business, owing to directors and officers of $415,000 (2017: $349,000) related to deferred salary, board fees and accrued vacation ($107,249 in deferred salaries, included in amounts earned).

13. Components of Expenses

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	**2018**	2017
	$	$		
General and Administration Expenses				
Depreciation expense	**1,705**	1,704	**5,114**	7,999
Stock based compensation	**137,728**	441,644	**466,214**	699,788
Facilities and operations	**46,667**	48,816	**113,834**	165,143
Legal, professional and finance	**53,876**	69,195	**135,822**	283,681
Salaries and benefits	**153,511**	238,264	**508,748**	674,751
Other expenses	**171,218**	204,057	**454,671**	587,956
CPRIT grant claimed in eligible expenses (Note 10)	**(127,487)**	(179,673)	**(389,271)**	(525,088)
	437,218	824,007	**1,295,132**	1,894,230

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	**2018**	2017
	$	$		
Research and Development Expenses				
Chemistry, manufacturing and controls	**164,910**	112,195	**302,128**	197,646
Regulatory	**14,048**	56,380	**26,137**	123,545
Discovery and pre-clinical	**189,416**	170,008	**635,025**	832,808
Research and development warrant	**236,858**	236,858	**710,574**	710,574
Clinical	**1,009,884**	1,782,650	**2,681,410**	3,558,039
Salaries and benefits	**288,936**	409,235	**921,210**	1,151,867
Licensing, patent, legal fees and royalties	**157,536**	123,033	**570,077**	247,317
Stock based compensation	**99,553**	194,755	**295,936**	442,870
CPRIT grant claimed on eligible expenses (Note 10)	**(905,585)**	(1,884,820)	**(3,824,293)**	(3,334,424)
Other research and development expenses	**20,340**	151,409	**38,479**	295,899
	1,275,896	1,351,703	**2,356,683**	4,226,141