



Condensed consolidated interim financial statements of

**Medicenna Therapeutics Corp.**

(Expressed in Canadian Dollars)

For the three and nine month periods ended December 31, 2019

# Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

as at

	December 31, 2019	March 31, 2019
	\$	\$
<b>Assets</b>		
Current assets		
Cash	6,974,004	2,370,976
Prepays and deposits	106,328	258,423
Government grant receivable (Note 9)	-	2,444,285
Other receivables	157,953	32,539
	<b>7,238,285</b>	<b>5,106,223</b>
Intangible assets (Note 10)	77,495	81,205
	<b>7,315,780</b>	<b>5,187,428</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	1,993,314	2,396,439
	<b>1,993,314</b>	<b>2,396,439</b>
License fee payable (Note 10)	-	174,432
	<b>1,993,314</b>	<b>2,570,871</b>
<b>Shareholders' Equity</b>		
Common shares (Note 6)	23,489,467	16,615,648
Contributed surplus (Notes 7 and 8)	9,977,518	8,633,395
Accumulated other comprehensive income	233,488	157,165
Deficit	(28,378,007)	(22,789,651)
	<b>5,322,466</b>	<b>2,616,557</b>
	<b>7,315,780</b>	<b>5,187,428</b>

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.*

# Medicenna Therapeutics Corp.

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

	3 months ended December 31, 2019	3 months ended December 31, 2018	9 months ended December 31, 2019	9 months ended December 31, 2018
	\$	\$	\$	\$
<b>Operating expenses</b>				
General and administration (Note 12)	741,786	437,218	1,845,873	1,295,132
Research and development (Note 12)	1,659,444	1,275,896	3,734,178	2,356,683
<b>Total operating expenses</b>	<b>2,401,230</b>	1,713,114	<b>5,580,051</b>	3,651,815
Interest income	-	(1)	-	(102)
Foreign exchange (gain) loss	(11,768)	9,968	8,304	7,244
	<b>(11,768)</b>	9,967	<b>8,304</b>	7,142
<b>Net loss for the period</b>	<b>(2,389,463)</b>	(1,723,081)	<b>(5,588,356)</b>	(3,658,957)
Cummulative translation adjustment	13,537	71,716	76,323	82,460
Comprehensive loss for the period	<b>(2,375,925)</b>	(1,651,365)	<b>(5,512,032)</b>	(3,576,497)
<b>Basic and diluted loss per share for the period</b>	<b>(0.07)</b>	(0.07)	<b>(0.19)</b>	(0.15)
<b>Weighted average number of common shares outstanding (Note 6)</b>	<b>33,186,723</b>	25,012,920	<b>30,206,534</b>	24,723,592

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

# Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Nine months ended December 31, 2019	Nine months ended December 31, 2018
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(5,588,356)	(3,658,957)
Items not involving cash		
Depreciation	3,710	5,114
Stock based compensation	832,944	762,150
R&D warrant expense	-	710,574
Government grant expense recoveries	(1,076,538)	(4,213,564)
Unrealized foreign exchange	34,983	(60,541)
Changes in non-cash working capital		
Other receivables and deposits	26,681	91,258
Accounts payable and accrued liabilities	(523,339)	343,998
	<b>(6,289,915)</b>	<b>(6,019,968)</b>
<b>Investing activities</b>		
Long term license fee payable	(170,106)	(158,841)
	<b>(170,106)</b>	<b>(158,841)</b>
<b>Financing activities</b>		
Government grant received (Note 9)	3,539,465	3,242,073
Prospectus offering	6,262,602	3,579,744
Warrant and option exercises	1,255,030	-
	<b>11,057,097</b>	<b>6,821,817</b>
Effect of foreign exchange on cash	5,952	63,490
Net increase (decrease) in cash	4,603,028	706,498
Cash, beginning of period	2,370,976	3,938,734
<b>Cash, end of period</b>	<b>6,974,004</b>	<b>4,645,232</b>
Other non-cash transactions		
Broker warrants issued	\$ 105,390	\$ 91,000
Warrants issued	\$ 705,218	\$ 1,042,861
Share issuance costs accrued through accounts payable and accrued liabilities	\$ 132,634	\$ 132,430

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

# 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				
		\$	\$	\$	\$	\$
<b>Balance, March 31, 2018</b>	<b>24,578,137</b>	<b>14,302,195</b>	<b>5,790,341</b>	<b>150,909</b>	<b>(18,081,620)</b>	<b>2,161,825</b>
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)
<b>Balance, June 30, 2018</b>	<b>24,578,137</b>	<b>14,302,195</b>	<b>6,283,271</b>	<b>178,105</b>	<b>(19,119,837)</b>	<b>1,643,734</b>
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)
<b>Balance, September 30, 2018</b>	<b>24,578,137</b>	<b>14,302,195</b>	<b>6,788,926</b>	<b>161,653</b>	<b>(20,017,496)</b>	<b>1,235,278</b>
Stock based compensation	-	-	237,281	-	-	237,281
Research and development warrant amortization	-	-	236,858	-	-	236,858
Issued on financing	4,000,000	2,314,453	1,133,861	-	-	3,448,314
Net loss and comprehensive loss	-	-	-	71,716	(1,723,081)	(1,651,365)
<b>Balance, December 31, 2018</b>	<b>28,578,137</b>	<b>16,616,648</b>	<b>8,396,926</b>	<b>233,369</b>	<b>(21,740,577)</b>	<b>3,506,366</b>
<b>Balance, March 31, 2019</b>	<b>28,578,137</b>	<b>16,615,648</b>	<b>8,633,395</b>	<b>157,165</b>	<b>(22,789,651)</b>	<b>2,616,557</b>
Stock based compensation	-	-	211,263	-	-	211,263
Warrant and option exercises	224,655	376,440	(106,854)	-	-	269,586
Net loss and comprehensive loss	-	-	-	(26,443)	(1,294,634)	(1,321,077)
<b>Balance, June 30, 2019</b>	<b>28,802,792</b>	<b>16,992,088</b>	<b>8,737,804</b>	<b>130,722</b>	<b>(24,084,285)</b>	<b>1,776,329</b>
Stock based compensation	-	-	232,241	-	-	232,241
Warrant and option exercises	-	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	89,229	(1,904,259)	(1,815,030)
<b>Balance, September 30, 2019</b>	<b>28,802,792</b>	<b>16,992,088</b>	<b>8,970,045</b>	<b>219,951</b>	<b>(25,988,544)</b>	<b>193,540</b>
Stock based compensation	-	-	389,440	-	-	389,440
Warrant and option exercises	605,311	1,178,018	(192,575)	-	-	985,443
Issued on financing	5,307,693	5,319,361	810,608	-	-	6,129,969
Net loss and comprehensive loss	-	-	-	13,537	(2,389,463)	(2,375,926)
<b>Balance, December 31, 2019</b>	<b>34,715,796</b>	<b>23,489,467</b>	<b>9,977,518</b>	<b>233,488</b>	<b>(28,378,007)</b>	<b>5,322,466</b>

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

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

---

## 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, 2019, the head and registered office is located at 2 Bloor St W, 7<sup>th</sup> Floor, 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, 2019.

The condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on February 12, 2020.

### b) *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.

### c) *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

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

---

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

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, 2019. 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, 2019, are not necessarily indicative of the results that may be expected for the full year ended March 31, 2020. For further information, see the Company's audited consolidated financial statements including notes thereto for the year ended March 31, 2019.

### d) *New accounting policy*

The following IFRS pronouncement has been adopted during fiscal 2020:

The Company has adopted new accounting standard IFRS 16 - Leases, effective for the Company's annual period beginning April 1, 2019. The adoption of IFRS 16 did not result in any changes to the Company's financial statements.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, with certain exemptions. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events such as a change in lease term. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

## 3. 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 period. The Company is not subject to any externally imposed capital requirements.

## 4. 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, and accounts payable and accrued liabilities. The fair value of these instruments, approximate their carrying values due to their short-term maturity.

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

---

## 4. Financial risk management cont'd

### *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.

Other receivables and government grant receivable are measured at amortized cost less impairments.

Accounts payable and accrued liabilities, deferred government grants and license fee payable are measured at amortized cost.

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. As at December 31, 2019, 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



# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

## 4. Financial risk management cont'd

loss and comprehensive loss for the nine months ended December 31, 2019 of \$119,438 (March 31, 2019 - \$69,305).

Balances in US dollars are as follows:

	December 31, 2019	March 31, 2019
	\$	\$
Cash	210,833	118,440
Accounts payable and accrued liabilities	(1,128,457)	(1,430,518)
Deferred government grant receivable (note 9)	-	1,831,337
	(917,624)	519,259

## 5. Accounts payable and accrued liabilities

	December 31, 2019	March 31, 2019
	\$	\$
Trade payables	765,925	802,025
Accrued liabilities	1,227,388	1,594,414
	1,993,313	2,396,439

## 6. 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, 2019 and 2018 the calculation was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
Common shares issued and outstanding, beginning of period	28,802,792	24,578,137	28,578,137	24,578,137
Effect of warrants and options exercised	57,008	-	180,844	-
Shares issued on financing	4,326,923	437,783	1,447,553	145,455
<b>Weighted average shares outstanding, end of period</b>	<b>33,186,723</b>	<b>25,012,920</b>	<b>30,206,534</b>	<b>24,732,592</b>

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.

On October 17, 2019, the Company completed a public offering raising total gross proceeds of \$6,900,000. The Company issued 5,307,693 units at \$1.30, consisting of 1 common share and ½ common share purchase warrant. Each whole warrant is exercisable at \$1.75 until October 17, 2022. The Company paid commission to the agents totaling \$455,175 and issued 350,134 warrants to the agents exercisable into one common share of the Company at an exercise price of \$1.30 for a period of twenty-four months. The

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)

For the Three and Nine Months Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

## 6. Share capital cont'd

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, \$5,424,752 of the net proceeds were allocated to the common shares and \$705,218 to the common share purchase warrants.

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. The Company issued 4,000,000 common shares, 2,000,000 warrants and 280,000 broker warrants in connection with this transaction.

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 and compensated by warrants. 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.

## 7. Warrants

### Warrant continuity:

	Number of Warrants	Weighted average exercise price
<b>Balance outstanding at March 31, 2018</b>	<b>3,074,042</b>	<b>\$ 2.00</b>
Warrants expired during the period	(28,617)	2.00
<b>Balance outstanding at June 30 and September 30, 2018</b>	<b>3,045,425</b>	<b>\$ 2.00</b>
Warrants expired during the period	(30,820)	2.00
Common share purchase warrants issued in the financing	2,000,000	1.20
Broker warrants issued in the financing	280,000	1.20
<b>Balance outstanding at December 31, 2018</b>	<b>5,294,605</b>	<b>\$ 1.70</b>
Warrants expired during the period	(149,522)	2.00
<b>Balance outstanding at March 31, 2019</b>	<b>5,145,083</b>	<b>\$ 1.65</b>
Warrants exercised during the period	(224,655)	1.20
<b>Warrants exercisable at June 30, 2019 and September 30, 2019</b>	<b>4,920,428</b>	<b>\$ 1.67</b>
Common share purchase warrants issued in the financing	2,653,846	1.75
Broker warrants issued in the financing	350,134	1.30
Warrants exercised during the period	(605,311)	\$1.63
<b>Warrants exercisable at December 31, 2019</b>	<b>7,319,097</b>	<b>\$1.68</b>

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

---

## 7. Warrants cont'd

The following warrants were exercised during the nine months ended December 31, 2019:

Number of Warrants	Exercise Price	Proceeds	Expiry Date
	\$	\$	
468,311	1.75	819,544	October 17, 2022
15,000	1.30	19,500	October 17, 2021
52,375	1.20	62,850	December 21, 2020
294,280	1.20	353,136	December 21, 2023
<b>829,966</b>		<b>1,255,030</b>	

There were no warrants exercised during the nine months ended December 31, 2018.

At December 31, 2019, warrants were outstanding and exercisable, enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
1,379,083	2.00	January 1, 2021
1,288,000	2.00	March 1, 2021
198,000	2.00	April 5, 2021
2,185,535	1.75	October 17, 2022
335,134	1.30	October 17, 2021
227,625	1.20	December 21, 2020
1,705,720	1.20	December 21, 2023
<b>7,319,097</b>		

## 8. Stock options

During the three months ended December 31, 2019 the Company granted 1,030,000 stock options exercisable at \$1.30 per share. Of these options, 300,000 vest 50% upon issuance and 50% after one year and have a five year life. 730,000 options vest 50% after one year, 25% after 2 years and 25% after 3 years and have a ten year life. During the nine months ended December 31, 2019, the Company granted a total of 1,230,000 stock options including those described above as well as 200,000 exercisable at \$1.38 per share. 50,000 of the options granted vest 50% after one year, 25% after two years and 25% after three years, 150,000 of the options vest 50% on September 1, 2019 and 50% on December 1, 2019 and have a ten-year life.

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 vested 25% on issue on September 1, 2018, 25% on December 1, 2018, 25% on March 1, 2019 and 25% on June 1, 2019. No stock options were issued in the three months ended December 31, 2018.

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

## 8. Stock options cont'd

Stock option transactions for the nine months ended December 31, 2019 and 2018 are set forth below:

	Number of options	Weighted average exercise price
<b>Balance outstanding at March 31, 2018</b>	<b>2,175,000</b>	<b>\$ 2.11</b>
Forfeited	(125,000)	2.40
<b>Balance outstanding at June 30, 2018</b>	<b>2,050,000</b>	<b>\$ 2.11</b>
Granted	200,000	1.09
<b>Balance outstanding at Sept. 30 and December 31, 2018</b>	<b>2,250,000</b>	<b>\$ 2.09</b>
Granted	1,175,000	\$ 1.00
Forfeited	(150,000)	1.73
<b>Balance outstanding at March 31, 2019</b>	<b>3,275,000</b>	<b>\$ 1.67</b>
Granted	200,000	\$ 1.38
Forfeited	(100,000)	1.09
<b>Balance outstanding at June 30, 2019 and September 30, 2019</b>	<b>3,375,000</b>	<b>\$ 1.67</b>
Granted	1,030,000	\$ 1.30
Forfeited	(275,000)	\$ 1.91
<b>Balance outstanding at December 31, 2019</b>	<b>4,130,000</b>	<b>\$ 1.56</b>

The following table summarizes information about stock options outstanding at December 31, 2019:

Exercise Prices	Options Outstanding			Options Exercisable	
	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
\$		Years	\$		\$
0.00-1.00	1,150,000	8.37	1.00	87,500	1.00
1.01-1.50	1,230,000	8.57	1.31	300,000	1.34
1.51-2.00	950,000	7.13	2.00	712,500	2.00
2.01-2.88	800,000	6.51	2.23	650,000	2.28
	<b>4,130,000</b>	<b>7.78</b>	<b>1.56</b>	<b>1,750,000</b>	<b>1.94</b>

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, 2019	December 31, 2018
Exercise price	\$1.30-1.38	\$1.09
Grant date share price	\$1.30-1.38	\$1.09
Risk free interest rate	1.5%	3.0%
Expected life of options	2.5-5 years	2.5 years
Expected volatility	100-114%	100%
Expected dividend yield	-	-
Weighted average fair value of options granted during the period	\$0.94	\$0.64

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

---

## 9. 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, on July 25, 2019 an additional six month extension was granted to February 28, 2020 and on January 6, 2020 an additional six month extension was granted to August 28, 2020.

Of the US\$14.1 million grant approved by CPRIT, Medicenna has received US\$12.7 million from CPRIT as of December 31, 2019. The Company is eligible to receive the remaining US\$1.4 million upon the achievement of certain criteria as determined by CPRIT, from time to time. There can be no assurances that the balance of such grants will be received from CPRIT.

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, 2019, the Company received \$3,539,465 from CPRIT (2018 - \$3,242,073).

## 10. 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 asset that is being amortized over the life of the underlying patents. As at December 31, 2019, the Company's intangible assets have a remaining capitalized netbook value of \$77,495 (March 31, 2019 - \$81,205).

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, 2019, the Company is obligated to pay the following:

- Patent licensing costs due within 12 months totaling \$66,500.
- Patent licensing costs, including the above, due within the next five years totaling \$771,400.
- 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 \$340,212 due in 2020 to the National Institute of Health ("NIH") which represents the remaining payments resulting from the Company's liquidity event in March 2017.

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

## 10. Commitments cont'd

Contractual obligations	Less than 1 year	1-3 years	3-5 years	Total
Patent licensing costs, minimum annual royalties per license agreements	\$ 66,500	\$ 172,900	\$ 532,000	\$ 771,400
Liquidity event payment	\$ 340,212	\$ 0	\$ 0	\$ 340,212

## 11. 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,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and wages	222,937	249,749	668,811	668,811
Board fees	35,793	34,983	106,752	106,188
Stock option expense	292,079	170,162	592,732	605,874
Related party rent	3,500	7,471	10,500	19,422
	554,309	462,365	1,378,795	1,400,295

During the nine months ended December 31, 2019, the Company paid \$52,079 in moving and rent expenses to the CEO and CDO of the Company. These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### (b) Amounts payable to related parties

As at December 31, 2019, the Company had trade and other payables in the normal course of business, owing to directors and officers of \$234,509 (2018: \$415,000) related to board fees and accrued vacation.

# Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the Three and Nine Months Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

## 12. Components of Expenses

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>General and Administration Expenses</b>				
Depreciation expense	1,237	1,705	3,710	5,114
Stock based compensation	272,503	137,728	515,654	466,214
Facilities and operations	54,289	46,667	187,668	113,834
Legal, professional and finance	63,544	53,876	153,309	135,822
Salaries and benefits	130,889	153,511	446,828	508,748
Other expenses	219,324	171,218	664,076	454,671
CPRIT grant claimed in eligible expenses (Note 9)	-	(127,487)	(125,372)	(389,271)
	<b>741,786</b>	<b>437,218</b>	<b>1,845,873</b>	<b>1,295,132</b>
<b>Research and Development Expenses</b>				
Chemistry, manufacturing and controls	53,398	164,910	178,568	302,128
Regulatory	133,186	14,048	264,427	26,137
Discovery and pre-clinical	443,905	189,416	1,265,969	635,025
Research and development warrant	-	236,858	-	710,574
Clinical	419,654	1,009,884	1,254,497	2,681,410
Salaries and benefits	259,744	288,936	816,646	921,210
Licensing, patent, legal fees and royalties	156,531	157,536	397,727	570,077
Stock based compensation	116,937	99,553	317,290	295,936
CPRIT grant claimed in eligible expenses (Note 9)	-	(905,585)	(951,166)	(3,824,293)
Other research and development expenses	76,089	20,340	190,220	38,479
	<b>1,659,444</b>	<b>1,275,896</b>	<b>3,734,178</b>	<b>2,356,683</b>

## 13. Subsequent Events

Subsequent to the quarter end the following warrant were exercised for proceeds of \$856,100:

Number of Warrants	Exercise Price	Proceeds
	\$	\$
35,000	2.00	70,000
182,046	1.75	318,580
10,850	1.30	14,106
377,845	1.20	453,414
<b>605,741</b>		<b>856,100</b>

These exercises will be accounted for in the three months ended March 31, 2020.