

Condensed consolidated interim financial statements of

Medicenna Therapeutics Corp.

(Expressed in Canadian Dollars)

For the three and six month periods ended September 30, 2017

Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

as at

	September 30, 2017	March 31, 2017
	\$	\$
Assets		
Current assets		
Cash	9,535,093	14,038,115
Prepays and deposits	163,220	213,825
Other receivables	114,709	133,560
	9,813,022	14,385,500
Intangible assets	88,625	93,983
Fixed assets	2,808	3,744
	9,904,455	14,483,227
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	2,027,853	1,399,616
Deferred government grants (Note 10)	3,818,389	5,949,870
	5,846,242	7,349,486
License fee payable	477,000	477,000
	6,323,242	7,826,486
Shareholders' Equity		
Common shares (Note 7)	13,529,984	13,463,734
Contributed surplus (Notes 8 and 9)	4,551,670	3,594,945
Accumulated other comprehensive income	89,651	214,230
Deficit	(14,590,092)	(10,616,168)
	3,581,213	6,656,741
	9,904,455	14,483,227

Commitments (Note 11)

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 September 30, 2017	3 months ended September 30, 2016	6 months ended September 30, 2017	6 months ended September 30, 2016
	\$	\$	\$	\$
Operating expenses				
General and administration (Note 13)	632,132	311,529	1,070,223	519,643
Research and development (Note 13)	1,069,648	521,587	2,874,438	586,588
Total operating expenses	1,701,780	833,116	3,944,661	1,106,231
Interest income	443	4,164	2,743	5,551
Foreign exchange (loss) gain	(16,915)	(115,702)	(32,006)	4,124
	(16,472)	(111,538)	(29,263)	9,675
Net loss for the period	(1,718,252)	(944,654)	(3,973,924)	(1,096,556)
Cummulative translation adjustment	(79,648)	19,100	(124,579)	19,100
Net loss and comprehensive loss for the period	(1,797,900)	(925,554)	(4,098,503)	(1,077,456)
Basic and diluted loss per share	(0.07)	(0.06)	(0.16)	(0.07)
Weighted average number of common shares outstanding (note 7)	24,344,048	16,249,999	24,329,111	16,249,999

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)

	Six months ended September 30,	
	2017	2016
	\$	\$
Operating activities		
Net loss for the period	(3,973,924)	(1,096,556)
Items not involving cash		
Depreciation	6,294	2,473
Stock based compensation	506,259	-
R&D warrant expense	473,716	-
Government grant expense recoveries	(1,795,019)	(1,931,123)
Unrealized foreign exchange	117,206	15,259
Changes in non-cash working capital		
Other receivables and deposits	69,456	(18,557)
Accounts payable and accrued liabilities	628,237	134,512
	(3,967,775)	(2,893,992)
Investing activities		
Purchase of fixed assets	-	(1,541)
	-	(1,541)
Financing activities		
Proceeds from issuance of equity instruments (net)	-	4,895,812
Warrant and option exercises	43,000	-
Government grants received	-	111,502
Loan from shareholders	-	(1,428,188)
	43,000	3,579,126
Effect of foreign exchange on cash	(578,247)	(30,826)
Net increase (decrease) in cash	(4,503,022)	652,767
Cash, beginning of period	14,038,115	5,338,710
Cash, end of period	9,535,093	5,991,477
Other non-cash transactions		
Broker warrant and incentive warrants issued	\$ -	\$ 1,941,161
Conversion of debentures into special warrants	\$ -	\$ 1,800,000

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		Special Warrants	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number	Amount					
		\$	\$	\$	\$	\$	\$
Balance, March 31, 2016	16,249,999	1,730,425	2,457,373	865,039	176,960	(2,984,903)	2,244,894
Special warrant financings	-	-	3,805,810	1,979,739	-	-	5,785,549
Effect of Transaction	14,500	2,171,856	-	215,179	-	-	2,387,035
Issued to A2 shareholders	1,071,429	-	-	-	-	-	-
Issued to MTI special warrant holders	4,971,416	6,263,183	(6,263,183)	-	-	-	-
Issued in MTI private placement	2,000,000	3,281,086	-	163,868	-	-	3,444,954
Research and development warrant amortization	-	-	-	236,858	-	-	236,858
Stock based compensation	-	-	-	140,185	-	-	140,185
Warrant and option exercises	5,990	17,184	-	(5,923)	-	-	11,261
Net loss and comprehensive loss	-	-	-	-	37,270	(7,631,265)	(7,593,995)
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

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

Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
For the Three and Six Months Ended September 30, 2017 and 2016
(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. The comparative figures are those of MTI prior to the Transaction. On August 2, 2017 Medicenna graduated to the main board of the Toronto Stock Exchange.

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 September 30, 2017, the head office is located at 200-1920 Yonge Street, Toronto, Ontario, Canada, M4S 3E2 and the registered office is located at 2200, 10235 - 101 Street, Edmonton, Alberta T5J 3G1.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim 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 year ended March 31, 2017.

The condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on November 10, 2017.

(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 judgments, 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

Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited) For the Three and Six Months Ended September 30, 2017 and 2016 (Expressed in Canadian Dollars)

2. Basis of presentation (continued)

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 key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with the valuation of the fair value of financial instruments, intangible assets, valuation of tax accounts and the determination of the functional currency of the Company. Significant estimates also take place in connection with the valuation of stock-based compensation and warrants.

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, 2017. 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 three and six month periods ended September 30, 2017, are not necessarily indicative of the results that may be expected for the full year ended March 31, 2018. For further information, see the Company's audited consolidated financial statements including notes thereto for the year ended March 31, 2017.

(d) New standards, amendments, and interpretations adopted during 2018

IAS 7 Statement of Cash Flows

In February 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows ("IAS 7") which requires entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of this amendment has not had a material impact on the Company's unaudited interim condensed consolidated financial statements.

3. Accounting Standards issued for adoption in future periods

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

IFRS 9, Financial Instruments in October 2010, the IASB published amendments to IFRS 9 Financial Instruments ("IFRS 9") which provides added guidance on the classification and measurement of financial liabilities. In July 2014, the IASB issued its final version of IFRS 9, which completes the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The final standard is mandatorily effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company believes that the adoption of this standard will not have a material impact on the 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.

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Notes to the condensed consolidated interim financial statements (unaudited)
For the Three and Six Months Ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

5. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash, other receivables, accounts payable and accrued liabilities, deferred government grants and license fee payable. The fair value of these instruments, approximate their carry 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.

Other receivables have been classified as loans and receivables and are measured at amortized cost less impairments.

Accounts payable and accrued liabilities, deferred government grants and license fee payable have been classified as other financial liabilities.

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 September 30, 2017, the Company's liabilities consist of accounts payable and accrued liabilities that have contracted maturities of less than one year.

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Notes to the condensed consolidated interim financial statements (unaudited)
For the Three and Six Months Ended September 30, 2017 and 2016
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5. Financial risk management (continued)

(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 the 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 six months ended September 30, 2017 of \$150,000 (March 31, 2017 - \$296,000).

Balances in foreign currencies are as follows:

	September 30, 2017	March 31, 2017
	\$	\$
Cash	5,147,872	7,069,230
Accounts payable and accrued liabilities	(929,041)	(389,200)
Deferred government grant	(3,063,288)	(4,470,226)
	1,155,543	2,209,804

6. Accounts Payable and Accrued Liabilities

	September 30, 2017	March 31, 2017
	\$	\$
Trade payables	609,617	486,786
Accrued liabilities	1,418,236	912,830
	2,027,853	1,399,616

7. Share Capital

Authorized

Unlimited common shares

Escrowed securities

Pursuant to the policies of the Toronto Stock Exchange Venture, 8,157,144 common shares of the Company are held in escrow as at September 30, 2017. Following the graduation of the company to the main board of the Toronto Stock Exchange 4,078,572 of the remaining shares will be released on March 2, 2018 and 4,078,572 shares will be released on September 2, 2018.

Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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7. Share Capital (continued)

Calculation of loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding. For the three and six months ended September 30, 2017 and 2016 the calculation was as follows:

	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
Issued common shares beginning of the period	24,344,048	16,249,999	24,313,334	16,249,999
Effect of warrant and option exercises	-	-	15,777	-
	24,344,048	16,249,999	24,329,111	16,249,999

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

8. Warrants

Warrant continuity:

	Number of Warrants	Weighted average exercise price \$
Balance outstanding at March 31, 2016	1,435,040	2.00
Warrants issued during the year		
Broker warrants	484,772	2.00
Incentive warrants	1,379,083	2.00
Warrants exercised during the year	(4,790)	2.00
Balance outstanding at March 31, June 30, and September 30, 2017	3,294,105	2.00
Warrants exercisable at March 31, June 30, and September 30, 2017	1,915,022	2.00

At September 30, 2017, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
147,040	2.00	March 4, 2018
1,288,000	2.00	March 1, 2021
198,000	2.00	April 5, 2021
68,360	2.00	April 5, 2018
31,080	2.00	April 22, 2018
30,820	2.00	November 30, 2018
1,379,083	2.00	January 1, 2021
151,722	2.00	February 28, 2019
3,294,105		

Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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9. Stock Options

During the six months ended September 30, 2017 the Company granted 125,000 stock options exercisable at \$2.40 per share and 700,000 stock options exercisable at \$2.01 per share. The options vest 50% after one year, 25% after two years and 25% after three years and have a ten-year life. There were no stock options granted in the three or six months ended September 30, 2016.

Stock option transactions for the three and six months ended September 30, 2017 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

The following table summarizes information about stock options outstanding at September 30, 2017:

Exercise Prices	Options Outstanding			Options Exercisable	
	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
\$		Years	\$		\$
1.40	107,143	7.77	2.01	107,143	2.01
2.00	1,100,000	9.38	2.00	-	-
2.01	700,000	9.98	2.01	-	-
3.00	50,000	4.49	3.00	25,000	3.00
	1,957,143	9.38	2.00	132,143	2.20

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

September 30, 2017	
Exercise price	\$ 2.01-2.40
Grant date share price	\$ 2.01-2.40
Risk free interest rate	0.52-1.75%
Expected life of options	5 years
Expected volatility	85-100%
Expected dividend yield	-
Weighted average fair value of options granted during the period	\$ 1.51

Medicenna Therapeutics Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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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 24, 2017, the Company received an advance of US\$5,000,000 from CPRIT and as of March 31, 2017, \$5,949,870 (US\$4,470,226) remained available for offset from the advance. Of this advance \$1,795,019 (US\$1,406,937) was recognized as an offset against eligible expenses during the six months ended September 30, 2017. The Company has recognized the amount not offset against expenses during the period as a current liability in the amount of \$3,818,389 (US\$3,063,288).

The amount payable at September 30, 2017 and March 31, 2017 represents funds received and not yet spent on approved grant expenditures.

11. Commitments

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	\$159,000	\$318,000	\$159,000	\$636,000

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, Chief Operations Officer and Chief Development Officer) and directors, received the following compensation for the following periods:

	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries and wages	244,716	212,500	484,463	475,163
Board fees	27,625	-	48,375	-
Stock option expense	224,964	-	425,683	-
Related party rent	9,000	-	9,000	-
	506,305	212,500	967,521	475,163

(b) Amounts payable to related parties

As at September 30, 2017, the Company had trade and other payables owing to related parties of \$324,000 related to expense reimbursements and accrued vacation and bonuses.

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Notes to the condensed consolidated interim financial statements (unaudited)
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13. Components of Expenses

	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
General and Administration Expenses				
Depreciation expense	1,705	1,236	6,295	2,473
Stock based compensation	141,326	-	258,144	-
Facilities and operations	76,433	68,923	116,327	95,327
Legal, professional and finance	99,681	128,031	214,486	182,802
Salaries and benefits	179,868	301,636	436,487	537,592
Other expenses	299,718	61,667	383,899	104,939
CPRIT grant claimed in eligible expenses (Note 10)	(166,599)	(249,964)	(345,415)	(403,490)
	632,132	311,529	1,070,223	519,643

	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Research and Development Expenses				
Chemistry, manufacturing and controls	-	228,846	85,451	727,544
Regulatory	23,862	31,847	67,165	122,118
Discovery and pre-clinical	427,580	30,520	662,800	60,520
Research and development warrant	236,858	-	473,716	-
Clinical	888,607	542,207	1,775,389	785,812
Salaries and benefits	408,049	135,243	742,632	233,111
Licensing, patent legal fees and royalties	42,687	51,040	124,284	31,634
Stock based compensation	128,639	-	248,115	-
CPRIT grant claimed on eligible expenses (Note 10)	(1,090,102)	(584,689)	(1,449,604)	(1,516,131)
Other research and development expenses	3,468	86,573	144,490	141,980
	1,069,648	521,587	2,874,438	586,588

14. Subsequent Events

On October 18, 2017, subsequent to September 30, 2017, Medicenna's common shares commenced trading on the OTCQX Best Market, under the symbol, "MDNAF".