Management's Discussion and Analysis

For the Year Ended March 31, 2017

DATE OF REPORT: June 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") has been prepared as of June 15, 2017, and should be read in conjunction with the consolidated audited financial statements of Medicenna Therapeutics Corp. ("Medicenna", the "Company", "we", "our", "us" and similar expressions) for the year ended March 31, 2017. The consolidated audited statements of Medicenna as at March 31, 2017 and March 31, 2016, were prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise noted. Unless stated otherwise, all references to "$" are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable securities laws. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All statements contained herein that are not clearly historical in nature are forward-looking, and the words such as "plan", "expect", "is expected", "budget", "scheduled", "estimate", "forecast", "contemplate", "intend", "anticipate", or "believe" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might", "shall" or "will" be taken, occur or be achieved and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's:

- business strategy;
- expected future loss and accumulated deficit levels;
- projected financial position and estimated cash burn rate;
- requirements for, and the ability to obtain, future funding on favorable terms or at all;
- expectations about the timing of achieving milestones and the cost of the Company's development programs;
- observations and expectations regarding the effectiveness of MDNA55 and the potential benefits to patients;
- expectations regarding the completion of enrolment of the Company's Phase 2b clinical trial;
- expectations about the Company's products' safety and efficacy;
- expectations regarding the Company's ability to arrange for the manufacturing of the Company's products and technologies;
- expectations regarding the progress, and the successful and timely completion, of the various stages of the regulatory approval process;
- ability to secure strategic partnerships with larger pharmaceutical and biotechnology companies;
- strategy to acquire and develop new products and technologies and to enhance the safety and efficacy of existing products and technologies;
- plans to market, sell and distribute the Company's products and technologies;
- expectations regarding the acceptance of the Company's products and technologies by the market;
- ability to retain and access appropriate staff, management, and expert advisers;
- expectations with respect to existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by the Company or to the Company in respect of such arrangements; and
- strategy with respect to the protection of the Company's intellectual property.

all as further and more fully described under the section of this MD&A titled "Risk Factors". Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Although the forward-looking statements contained in this MD&A are based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements.

Any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by securities laws.

All references in this MD&A to "the Company", "Medicenna", "we", "us", or "our" refer to Medicenna Therapeutics Corp. and the subsidiaries through which it conducts its business, unless otherwise indicated.

COMPANY OVERVIEW

Medicenna Therapeutics Corp. is the company resulting from a "three-cornered" amalgamation involving A2 Acquisition Corp ("A2"), 1102209 B.C. Ltd., a wholly-owned subsidiary of A2 and Medicenna Therapeutics Inc. ("MTI"), a privately held clinical stage biotechnology company. A2 was formed by articles of incorporation under the Business Corporations Act (Alberta) ("ABCA") on February 2, 2015, and following its initial public offering, was a "capital pool company" listed on the Toronto Stock Exchange Venture ("TSXV"). As a capital pool company, A2 had no assets other than cash and did not carry on any operations. On March 1, 2017, the Company changed its name to Medicenna Therapeutics Corp. and completed a consolidation of its share capital on the basis of one post-consolidation common share for every 14 pre-consolidation common shares (the "Consolidation"). Medicenna completed its qualifying transaction pursuant to the policies of the TSXV by way of reverse takeover of A2 by the shareholders of MTI on March 1, 2017 (the "Transaction"). Medicenna has three wholly owned subsidiaries, MTI, Medicenna Biopharma Inc. (Delaware) and Medicenna Biopharma Inc. (British Columbia).

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. The 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.

Medicenna is a clinical stage immuno-oncology company developing first and best-in-class proprietary super agonist and antagonist versions of cytokines called Superkines™. These proprietary Superkines™ are powerful immune modulators that have the potential to improve efficacy in a variety of diseases while minimizing off-target effects. Superkines™ fused to cell-killing payloads, to form Empowered Cytokines™ ("EC"), are target centric Molecular Trojan Horses being developed for treatment of cancer as superior alternatives to other targeted therapies such as Antibody Drug Conjugates ("ADC").

Our lead program is squarely focused around one target: the IL-4/IL-4R axis. Expression levels of IL4R are low on the surface of healthy and normal cells, but increase 10-100 fold on cancer cells, cancer stem cells (CSCs) and non-malignant cells of the tumor microenvironment (TME). This differential expression of IL-4R therefore provides IL4 Empowered Cytokines™ (IL4-ECs) a wide therapeutic window. Furthermore, the IL-4/IL4R bias is a marker for highly aggressive forms of cancer, plays a central role in the establishment of an immunosuppressive TME and is generally associated with poor survival outcomes. We believe that by disrupting this pro-tumoral axis, Medicenna's novel IL4-ECs have the potential of not only targeting cancer cells, but also weaken the TME that protects cancer from our own immune system.

MDNA55 is our lead IL4-EC in clinical development for the treatment of cancers of the central nervous system ("CNS"). It is a fusion of a circularly permuted version of interleukin- 4 ("IL-4") fused to a potent fragment of the bacterial toxin, *Pseudomonas* exotoxin ("PE"). To date, MDNA55 has promising clinical data from 72 patients including 66 adult patients with recurrent Glioblastoma ("rGB"), the most aggressive and uniformly fatal form of brain cancer. It has secured Orphan Drug Status from the United States Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") as well as Fast Track Designation from the FDA. Medicenna was awarded a non-dilutive product development grant of US$14.1M from the Cancer Prevention and Research Institute of Texas ("CPRIT"). Grant funds will support the Phase 2b clinical trial for treatment of rGB and, in collaboration with MD Anderson Cancer Center ("MDACC"), pre-clinical development of next generation fully human IL4-ECs for treatment of other solid tumors. The MDNA55 program offers a promising approach to address serious unmet needs affecting adult and pediatric patients with various types of brain cancer. Complimenting our lead clinical asset, MDNA55, Medicenna has built a deep pipeline of promising pre-clinical candidates. These include a library of Superkines™ such as IL-2 agonists ("MDNA109"), IL-2 antagonists ("MDNA209"), dual IL-4/IL-13 antagonists ("MDNA413") and the IL-13 agonist ("MDNA132").

ACHIEVEMENTS & HIGHLIGHTS

The following are the achievements and highlights for the year ending March 31, 2017 through to the date hereof:

- Initiated a Phase 2b clinical trial of MDNA55 for the treatment of rGB for which the first patient was treated in April 2017. We expect to complete enrolment in the clinical study by the end of 2017.
- Received the issuance of a US Patent related to our lead clinical candidate MDNA55. U.S. Patent 9,629,899, issued to the U.S. Department of Health and Human Services and licensed exclusively to Medicenna, covers the combination of MDNA55 with other anti-cancer therapeutic agents.
- On March 1, 2017, MTI and A2 completed the Transaction, with the common shares of the resulting issuer, Medicenna, being listed on the TSXV under the symbol “MDNA”.
- On February 28, 2017, we closed a subscription receipts financing raising $4,000,000 in gross proceeds through the issuance of 2,000,000 common shares,
- In December 2016, the Company closed the fourth and final tranche of a private placement of special warrants for total gross proceeds of approximately $10 million.
- We entered into a Sponsored Research Agreement with MD Anderson Cancer Center (“MDACC”), to pursue development of next-generation fully human IL4-ECs for the treatment non-CNS cancers (“MDNA57”).
- The US Patent and Trademark Office issued two patents related to the Company’s Superkine platform. US Patents 9,428,567 and 9,512,194, issued to Stanford University (“Stanford”) and licensed exclusively to the Company, cover the composition of IL-2 and IL-13 Superkines, respectively. The Superkines covered under the issued patents include the company’s lead pre-clinical therapeutic candidates, MDNA109 and MDNA413.
- In December 2016, we appointed Elizabeth Williams as Chief Financial Officer and in January 2017, Patrick Ward as Chief Operating Officer.
- In November 2016, we added three independent, experienced, biotechnology executives to our Board of Directors; Albert Beraldo, Dr. Chandrakant Panchal and Andrew Strong.

CPRIT Agreement

In February 2015, we were awarded a US$14.1 million grant from the Cancer Prevention and Research Institute of Texas (“CPRIT”). The grant, entitled “A Multi-Targeted Approach for Recurrent Glioblastoma and Other Aggressive Cancers: Exploiting the Potential of IL-4 Fusion Proteins”, was awarded to us following a comprehensive peer-review process by the CPRIT Product Development Panel, whose members have extensive scientific, clinical and commercial expertise. The application process conducted by CPRIT also included third party regulatory, product development and intellectual property due diligence. The grant will be used to conduct a Phase 2b rGB clinical trial with MDNA55, develop a potential companion diagnostic to screen patients with IL4R positive cancers and develop next-generation fully human IL4-ECs for the treatment of other IL4R positive cancers. Under the terms of the CPRIT Contract, a total of US$14.1 million in non-dilutive funds will be disbursed in tranches over a period of three years upon progress of the research plan, achievement of certain scientific and clinical milestones and Medicenna’s ability to secure US$7.0M in matching funds. In exchange for CPRIT funds disbursed to Medicenna, CPRIT will be entitled to a repayment of four times the grant amount in the form of low single digit royalty based on commercial sales of IL4-ECs that are developed by virtue of the CPRIT grant.

The Qualifying Transaction

The Transaction constituted a reverse takeover by MTI of A2 (now Medicenna), a non-operating public enterprise. Medicenna, being an accounting acquiree, did not meet the definition of a business under IFRS 3, Business Combinations, and therefore the Transaction did not qualify as a business combination. MTI is deemed to have issued equity to the holders of the equity interest of Medicenna. Consequently, the Transaction is accounted for as a continuation of the consolidated financial statements of MTI, together with a deemed issuance on March 1, 2017 of common shares and options by the resulting company for the net assets and listing status of Medicenna accounted for in accordance with IFRS 2, Share-based Payment. The identifiable assets and liabilities of Medicenna are recognized at fair value at the acquisition date, with the excess of the fair value of the equity interest over the fair value of the net assets issued charged to the consolidated statements of loss and comprehensive loss as listing expense. The fair value of common shares issued includes the fair value of 14,500 common shares issued to Richardson GMP Limited in connection with the Transaction.

The comparative figures that are presented in the consolidated financial statements are those of MTI. The consolidated statements of loss and comprehensive loss include the full results of MTI for the period from April 1, 2016 to March 1, 2017.

Net assets of A2:		**March 1, 2017**
Cash	$	608,530
Accounts payable and accrued liabilities		(5,909)
		602,621
Total consideration		2,387,035
Listing expense	$	1,784,414

Consideration comprised of:		
Fair value of common shares	$	2,171,856
Fair value of options		215,179
	$	2,387,035

FINANCING UPDATE

Year ended March 31, 2016

On March 4, 2016, MTI completed a first tranche (the "First Tranche") of a private placement financing of special warrants, exercisable for no additional consideration into Medicenna common shares ("Special Warrants"). On closing, MTI issued an aggregate of 1,841,012 Special Warrants at a price of $2.00 per Special Warrant for aggregate gross proceeds of $3,682,024. Each Special Warrant entitled the holder to acquire, for no additional consideration and without further action, one common share of MTI upon the occurrence of a liquidity event. The Transaction constituted the requisite liquidity event and all Special Warrants issued were converted into common shares of MTI immediately prior to the completion of the Transaction.

Bloom Burton & Co. Limited (now Bloom Burton Securities Inc.) ("Bloom Burton") acted as exclusive agent in connection with the financing pursuant to the terms and conditions of an agency agreement dated March 4, 2016 between MTI and Bloom Burton. In connection with the First Tranche, MTI paid Bloom Burton a cash commission of $257,322 and issued an aggregate of 147,040 broker warrants. Each broker warrant entitles the holder to purchase one common share of Medicenna at a price of $2.00 per share at any time prior to March 4, 2018.

In addition, MTI also issued to Bloom Burton 1,288,000 incentive warrants with each warrant entitling the holder thereof to acquire one common share of Medicenna at a price of $2.00 per share at any time prior to March 4, 2021.

Year ended March 31, 2017

On April 4, 2016, MTI closed a second tranche of the private placement of Special Warrants issuing an aggregate of 1,303,668 Special Warrants at a price of $2.00 per special warrant for gross proceeds of $2,607,336 (the "Second Tranche"). In connection with the Second Tranche, MTI paid Bloom Burton a cash commission of $119,630 and issued an aggregate of 68,360 broker warrants. Each broker warrant entitles the holder to purchase one common share of Medicenna at a price of $2.00 per share at any time prior to April 4, 2018.

On April 5, 2016, MTI completed a convertible debenture (the "Debenture") financing (the "Debenture Financing"). On closing, MTI issued 900,000 Debentures at a price of $2.00 per Debenture for aggregate gross proceed of $1,800,000. Each Debenture was convertible, for no additional consideration into one Special Warrant at the discretion of MTI. MTI immediately exercised its option to convert all 900,000 Debentures into 900,000 Special Warrants on April 5, 2016. In connection with the Debenture Financing, MTI issued an aggregate of 198,000 warrants. Each warrant entitles the holder to acquire one common share of Medicenna at a price of $2.00 per share at any time up to April 5, 2021.

On April 22, 2016, MTI closed a third tranche of the private placement of Special Warrants (the "Third Tranche"). On closing, MTI issued an aggregate of 428,500 Special Warrants at a price of $2.00 per warrant for gross proceeds of $857,000. In connection with the Third Tranche, MTI paid Bloom Burton a cash commission of $54,390 and issued an aggregate of 31,080 broker warrants. Each warrant entitles the holder to purchase one common share of Medicenna at a price of $2.00 per share at any time prior to April 22, 2018.

On November 30, 2016 and December 1, 2016, MTI closed a fourth tranche of the private placement of Special Warrants (the "Fourth Tranche"). On closing, MTI issued an aggregate of 498,236 Special Warrants at a price of $2.00 per special warrant for gross proceeds of $996,472. In connection with the Fourth Tranche, MTI paid Bloom Burton a cash commission of $53,937 and issued an aggregate of 30,820 broker warrants. Each broker warrant entitles the holder to purchase one common share of Medicenna at a price of $2.00 per share at any time prior to November 30, 2018.

Effective January 1, 2017, MTI entered into an amendment to the consulting agreement between Medicenna and Bloom Burton dated as of February 25, 2016. Pursuant to the amendment, in exchange for certain services, MTI agreed to issue to Bloom Burton an aggregate of 1,379,083 incentive warrants. Each such incentive warrant is exercisable into one common share at an exercise price of $2.00 per share until January 1, 2021. Such incentive warrants will be held in escrow until the earlier of (i) December 31, 2018 and (ii) the date MTI attains certain research and development metrics.

On February 5, 2017, MTI, A2 (now Medicenna) and a wholly-owned subsidiary of A2 entered into a definitive amalgamation agreement to govern the Transaction (the "Amalgamation Agreement").

On February 28, 2017, MTI completed a private placement of 2,000,000 subscription receipts for gross proceeds of $4,000,000. In connection with the financing, MTI paid to the agents a cash commission of $274,575 (plus a $35,000 corporate finance fee) and issued 156,512 broker warrants exercisable at $2.00 per common share of Medicenna at any time up to February 28, 2019.

On March 1, 2017, immediately prior to the completion of the Transaction, all Special Warrants and subscriptions receipts of MTI were converted into common shares of MTI.

On March 1, 2017, A2 (now Medicenna) acquired all of the securities of MTI. The Transaction comprised the Qualifying Transaction of the Company in accordance with the Exchange policies.

Immediately prior to completion of the Transaction, the Company completed the Consolidation. Following the Consolidation, and prior to completion of the Transaction, the Company had 1,071,428 common shares.

In connection with the Transaction, the Company issued an aggregate of 23,221,415 common shares to former holders of common shares of MTI at a deemed issuance price of $2.00 per common share. In addition, 14,500 common shares were issued at a deemed price of $2.00 per share to Richardson GMP Limited, an arm's length finder in connection with the Transaction. The shareholders of A2 held 1,071,429 common shares at the time of the Transaction. As a result of the foregoing, the outstanding capital of the Company upon completion of the Transaction consisted of 24,307,343 common shares.

The Company also issued the following convertible securities in connection with the Transaction: 1,100,000 stock options, 198,000 common share purchase warrants, 2,667,083 incentive warrants, 433,812 broker warrants.

Escrowed Securities

In connection with the initial public offering of A2 and pursuant to an escrow agreement dated June 8, 2015, an aggregate of 714,285 common shares were placed in escrow.

In connection with the Transaction and pursuant to an escrow agreement dated March 1, 2017, an additional 15,600,000 common shares of Medicenna were placed into escrow.

Ten percent (10%) of such escrowed shares were released on March 3, 2017 upon the issuance of the Final Exchange Bulletin and a further fifteen percent (15%) will be releasable on each of the six-month, twelve-month, eighteen-month, twenty-four month, thirty month and thirty-six month anniversaries of the date of the Final Exchange Bulletin.

An aggregate of 14,682,858 common shares of the Company are currently held in escrow as at March 31, 2017.

RESEARCH & DEVELOPMENT UPDATE

MDNA55

MDNA55 has been studied in previous clinical trials under two Investigational New Drug Applications ("IND") for treatment of high grade glioma and for treatment of non CNS solid tumors. The IND product name is "Interleukin-4 Pseudomonas Toxin Fusion Protein." To date, MDNA55 has promising clinical data from 72 patients including 66 adult patients with rGB, the most aggressive and uniformly fatal form of brain cancer. It has secured Orphan Drug Status from the FDA and the EMA as well as Fast Track Designation from the FDA.

Since the above mentioned clinical trials, there have been many improvements to the convection enhanced delivery ("CED") technology. This includes use of newly developed techniques for high precision insertion and placement of catheters into the tumor bed as well as novel stepped design catheters that prevent backflow of MDNA55 during treatment. Furthermore, by co-infusion of an MRI (Magnetic Resonance Imaging) contrast agent with MDNA55, drug distribution can be monitored in real-time in order to achieve maximum coverage of the tumor bed and the tumor margins. Unlike previous clinical trials, we believe that each of these improvements will facilitate more accurate targeting and optimum distribution of MDNA55 to regions of active tumor growth. Medicenna has obtained an exclusive license from the National Institute of Health ("NIH") to patents covering CED and the use of a surrogate tracer for real-time monitoring of MDNA55 delivery and distribution.

Phase 2b Study Outline for Glioblastoma at First Recurrence or Progression

A Phase 2b protocol evaluating MDNA55 for the treatment of rGB, with improved CED technology, has been approved by the FDA. The Phase 2b trial is a multi-center, open-label, single-arm study in approximately 43 subjects with first recurrence or progression of GB after surgery or radiotherapy ± adjuvant therapy.

The primary endpoint in the study is to determine the objective response rate ("ORR") as per Response Assessment in Neuro-Oncology ("RANO") criteria following a single intra-and peri-tumoral infusion of MDNA55 in adult subjects with Glioblastoma at first recurrence or progression. The ORR will be assessed by gadolinium-

enhanced MRI and determined by an independent blinded review committee. The primary efficacy analysis, conducted on the Intent to Treat ("ITT") population, will be assessed according to a single-arm, single-stage binomial design with primary hypothesis test comparing a null response rate of 6% with an alternative pursue rate of 18%, at 1-sided alpha = 0.10. Analyses will also be conducted by IL4R stratum, including 95% confidence interval estimates of ORR within strata and examination of the treatment effect by IL4R level. With 36 ITT subjects there will be 80% power for this test; accounting for approximately 17% non-evaluable, it is planned to enroll 43 subjects.

This study is designed to test the hypothesis that ORR is improved to a clinically significant extent with MDNA55 administered via CED, as compared to current available second-line treatments. The assumptions regarding response to current treatment are based on ORR data from previous clinical trials in patients with recurrent/progressive glioblastoma. Levin et al. (2015) compiled and reported the case number-weighted mean ORR for clinical studies evaluating cytotoxic agents (21 clinical trials, N = 1,745 patients) and non-cytotoxic/non-antiangiogenic drugs (18 clinical trials, N = 1,239). The ORR was 6% (range 0 to 17%) and 4% (range 0 to 9%), respectively, for patients treated with cytotoxic agents or non-cytotoxic/non-anti-angiogenic drugs. The results for non-cytotoxic/anti-angiogenic drugs were better with an ORR rate of 14%. Although one of the features of the Phase 2b study will be to confirm treatment benefits at the optimal dose of 90µg (observed in a previous study), the ability to correlate survival and tumor response with IL-4R expression following a single MDNA55 infusion will also be one of the objectives.

In April 2017, we treated the first patient in the Phase 2b clinical trial of MDNA55 for the treatment rGB and we expect to complete enrolment in the trial by the end of calendar 2017.

Superkine and Empowered Cytokine Platforms

IL-4 and IL-13 Superkines

Medicenna's IL-4 and IL-13 Superkines are engineered versions of wild type cytokines which possess enhanced affinity and selectivity for either the Type 1 or Type 2 IL4R. This selectivity is achieved through mutations of the IL-4 or IL-13 proteins to enhance affinity for binding to specific IL4R subunits. Additional mutations have also been engineered to modulate their bioactivity, resulting in Superkines with enhanced signaling (super-agonists) or the ability to block signaling (super-antagonists).

One promising IL-13 Superkine antagonist is MDNA413. Compared to wild type IL-13, MDNA413 has been engineered to have 2,000-fold higher selectivity for the Type 2 IL4R and which potently blocks IL-4 and IL-13 signaling. Blocking of Type 2 IL4R by MDNA413 may be relevant not only for targeting solid tumors that overexpress this receptor, but also for Th2-mediated diseases such as atopic dermatitis, asthma and idiopathic pulmonary fibrosis. With commercial validation of the IL-4/IL-13 axis as an effective therapeutic target for atopic dermatitis and asthma, Medicenna believes a topical or aerosol formulation of MDNA413 may be an important differentiated product compared to a blocking antibody (Dupixent®: Regeneron Pharmaceuticals and Sanofi) recently approved by the FDA for the treatment of moderate to severe atopic dermatitis. Dupixent® is administered by subcutaneous injection every other week.

Another promising IL-13 Superkine is MDNA132. Unlike MDNA413, MDNA132 is an agonist that has been engineered to increase affinity for IL13R alpha2 overexpressed on certain solid tumors while exhibiting sharply decreased affinity for IL13R alpha1. Medicenna believes MDNA132 has superior targeting compared to other IL-13 variants in development, and is an attractively differentiated targeting domain for inclusion in new and exciting field of immuno-oncology based on the Chimeric Antigen Receptor T cell (CAR-T) platform.

IL-4 and IL-13 Empowered Cytokines: Collaboration with MD Anderson Cancer Center ("MDACC")

As part of the CPRIT funded project, Medicenna is pursuing development of MDNA57 in collaboration with Professor Michael Rosenblum at MDACC, a world renowned expert in the development of targeted toxins for cancer therapy. The objective of the collaboration is to further develop MDNA57 (a fully human version of MDNA55) designed to specifically target solid tumors that express the Type 2 IL4R. Being fully human, we expect MDNA57 to be less or non-immunogenic allowing multi-cycle systemic administration. Use of IL-4 or IL-13

Superkines, licensed from Stanford, as targeting domains may provide a higher degree of selectivity and therefore much better safety and efficacy profile. The research collaboration with MDACC is expected to demonstrate *in vivo* proof-of-concept in appropriate animal tumor models.

IL-2 Superkines
Medicenna's lead IL-2 Superkine, in early stage pre-clinical development, is MDNA109. It is an engineered version of recombinant human IL-2 (Proleukin®: Prometheus Therapeutics), an approved product for treatment of metastatic melanoma and renal cell cancer. Unlike Proleukin®, MDNA109 signals independently of CD25, thereby preferentially activating effector T cells while limiting stimulation of regulatory T cells, which impede Proleukin's therapeutic response and mediate its toxicity. Consistent with these improved pharmacodynamic characteristics, MDNA109 is more effective than Proleukin® in animal models of cancer. On the basis of these results, Medicenna is evaluating MDNA109 and other IL-2 Superkine agonists as next-generation cancer immunotherapeutics that can be used alone and in combination with existing immune checkpoint regimens, extending the early success of Proleukin® therapy to the modern immuno-oncology paradigm.

Further engineering of MDNA109 has resulted in generation of the IL-2 Superkine antagonist MDNA209. This Superkine is capable of potently blocking signaling via the IL-2 and IL-15 receptors. Proof of concept studies show MDNA209 fused to the Fc4 antibody may be relevant for treatment for autoimmune diseases and organ rejection.

SELECTED ANNUAL FINANCIAL INFORMATION

Year ended March 31	**2017**	**2016**	**2015**
General and administration	$ 1,684,611	$ 428,256	$ 253,110
Research and development	4,229,110	771,408	575,997
Net loss	(7,631,265)	(1,334,064)	(833,494)
Basic and diluted loss per share	(0.45)	(0.08)	(0.05)
Total assets	14,483,227	5,755,008	272,562
Total current and non-current financial liabilities	7,826,486	3,510,114	291,866

We have not earned revenue in any of the previous fiscal years, other than income from interest earned on our cash balances.

For the year ended March 31, 2017, we reported a net loss of $7,631,265 or $0.45 per share compared to a loss of $1,334,064 or $0.08 per share for the year ended March 31, 2016. The increase in net loss in the year ended March 31, 2017 compared with the year ended March 31, 2016 was primarily a result of a one-time non-cash listing expense of $1,784,414 related to the Transaction as well as spending on the Phase 2b clinical trial of MDNA55 including headcount necessary to support the ongoing trial, intellectual property costs including a one-time license payment of $636,000 related to the Transaction, and increased general corporate expenditures necessary to complete the Transaction and establish a public company.

We reported total assets of $14,483,227 as at March 31, 2017 as compared to $5,755,008 in the comparable period of 2016. The increase was primarily related to cash received from private placement financings and funds advanced from CPRIT. In addition, we have US$6.5 million available to draw from CPRIT in future periods.

Total current and non-current liabilities were $4,316,372 higher than in the comparable period of 2016, resulting primarily from a higher balance of funds advanced but not yet utilized from CPRIT which will be used towards the MDNA55 Phase 2b clinical trial as well as the MDNA57 program.

RESULTS OF OPERATIONS FOR THE YEAR ENDING MARCH 31, 2017

Research and Development Costs

	Tweleve months ended March 31	
	2017	2016
	$	$
Chemistry, manufacturing and controls	**1,036,696**	781,996
Regulatory	**183,551**	157,009
Discovery and pre-clinical	**404,656**	67,413
Clinical	**2,203,930**	199,801
Salaries and benefits	**1,010,233**	593,401
Licensing, patent legal fees and royalties	**355,412**	335,780
Stock based compensation	**44,604**	-
NIH License fee	**636,000**	-
Research & Development Warrant	**236,858**	-
CPRIT grant claimed on eligible expenses	**(2,067,633)**	(1,471,009)
Other research and development expenses	**184,803**	107,017
	4,229,110	771,408

Research and development ("R&D") costs of $4,229,110 were incurred during year ended March 31, 2017, compared with $771,408 incurred for the year ended March 31, 2016.

The increase in R&D costs in the year ended March 31, 2017 compared with the prior year can be primarily attributed to the following factors:

- Increased chemistry, manufacturing and controls ("CMC") costs associated with the manufacture, testing and stability studies of MDNA55 drug product currently being used in the Phase 2b clinical trial;
- Initiation of early discovery and pre-clinical activities associated with the Superkine program (MDNA109) as well as the collaboration with MDACC with respect to the MDNA57 program;
- Clinical costs increased significantly due to the initiation of the Phase 2b clinical trial of MDNA55 including purchase of clinical supplies, catheters, drug delivery software, clinical research organization expenses and site initiation costs;
- Salaries and benefits rose in the current year due to increased headcount to support the initiation and ongoing management of the Phase 2b clinical trial;
- Stock based compensation costs represent the fair value amortization of stock options grants issued in February 2017 to employees in the research and development department;
- The NIH license fee pertains to a one-time license fee payment of $636,000 due to the NIH upon completion of the Transaction and payable in equal instalments over four years.
- A research and development warrant was issued to consultants working with Medicenna on the development of our early stage programs. The warrant was issued January 1, 2017 and vests over an expected 24-month period. The amount recorded in the year ended March 31, 2017 relates to the fair value expense for the three-month period following issuance.

It is expected that R&D costs will continue to increase in the year ended March 31, 2018 as additional patients are enrolled in the Phase 2b clinical trial.

CPRIT eligible expenses were $2,067,633 for the year ended March 31, 2017, compared to $1,471,009 for the year ended March 31, 2016, resulting in a larger offset to the R&D spending in the current year.

General and Administrative Expenses

	Tweleve months ended March 31	
	2017	2016
	$	$
Depreciation expense	**6,487**	1,435
Stock based compensation	**95,581**	-
Facilities and operations	**248,490**	75,799
Legal, professional and finance	**582,842**	213,844
Salaries and benefits	**1,017,336**	83,688
Other expenses	**287,759**	96,375
CPRIT grant claimed in eligible expenses	**(553,884)**	(42,885)
	1,684,611	428,256

General and administrative ("G&A") expenses of $1,684,611 were incurred during the year ended March 31, 2017, compared with $428,256 incurred during the year ended March 31, 2016.

The increase in G&A expenses in the year ended March 31, 2017 compared with the prior year is attributed primarily to the following factors:

- Stock option expense in the current year represents the fair value amortization of stock option grants issued in February 2017 to general and administrative employees and directors. MTI did not previously issue stock options and therefore no comparable expense existed in the prior year;
- Facilities and operations expense increased related to the maintenance of an office space in Houston to support our ongoing operations in Texas as well as costs associated with the relocation of the Company's head office to Toronto;
- Increased professional fees are associated with the Special Warrant and subscription receipt financings, investor relations activities, as well as legal fees related to the Transaction;
- Salaries and benefits increased due to additional personnel needed to support ongoing activities as well as a greater allocation of the CEO's time to general and administrative activities in the current year; and
- Other expenses increased due to (i) increased travel, (ii) the increase in the size of the Board of Directors and (iii) filing fees related to the Transaction.

The above noted increases were offset by CPRIT eligible expenses of $553,884 for which the Company was reimbursed in fiscal 2017, compared with $42,885 in the prior year.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDING MARCH 31, 2017

Research and Development Costs

	Three months ended March 31	
	2017	2016
	$	$
Chemistry, manufacturing and controls	**153,496**	587,598
Regulatory	**3,684**	56,747
Discovery and pre-clinical	**98,060**	40,171
Clinical	**749,652**	72,387
Salaries and benefits	**493,380**	199,378
Licensing, patent legal fees and royalties	**117,068**	89,409
Stock based compensation	**44,604**	-
NIH License fee	**636,000**	-
Research & Development Warrant	**236,858**	-
CPRIT grant claimed on eligible expenses	**(551,502)**	(1,245,250)
Other research and development expenses	**63,240**	36,906
	2,044,540	(162,654)

R&D costs of $2,044,540 were incurred during the three months ended March 31, 2017 compared with $(162,654) incurred in the three months ended March 31, 2016.

The increase in R&D costs for the three month period, compared with the same period in the prior year, is directly correlated with the annual increase, due to the initiation of the Phase 2b trial in December 2016, and can be primarily attributed to the following factors:

- Decreased CMC costs associated with the manufacture of the MDNA55 drug substance to be used in the Phase 2b clinical trial incurred in the prior year;
- Clinical costs increased significantly due to the initiation of the Phase 2b rGB clinical trial of MDNA55;
- Salaries and benefits rose in the current year due to increased headcount to support the ongoing management of the Phase 2b clinical trial;
- The NIH license fee pertains to a one-time license fee payment of $636,000 due to the NIH upon completion of the Transaction and payable in four equal instalments over four years; and
- Research and development incentive warrants were issued to consultants working with Medicenna on the development of our early stage programs. The warrant was issued January 1, 2017 and vests over an expected 24-month period. The amount recorded in the year ended March 31, 2017 relates to the fair value expense for the three-month period following issuance;

In the year ending March 31, 2016, the Company received a large reimbursement from CPRIT, including reimbursement of expenses incurred in prior periods which resulted in negative R&D spending for the three months ended March 31, 2016.

General and Administrative Expenses

	Three months ended March 31	
	2017	2016
	$	$
Depreciation expense	**1,236**	1,435
Stock based compensation	**95,581**	-
Facilities and operations	**87,784**	33,913
Legal, professional and finance	**241,040**	120,429
Salaries and benefits	**190,722**	27,710
Other expenses	**76,274**	64,548
CPRIT grant claimed in eligible expenses	**(150,394)**	(21,500)
	542,243	226,535

General and administrative (G&A) expenses of $542,243 were incurred during the three months ended March 31, 2017 compared with $226,535 incurred in the three months ended March 31, 2016.

The increase in G&A expenses in the three months ended March 31, 2017 compared with the prior year is consistent with the increase year over year, due to the Transaction and is attributed primarily to the following factors:

- Stock option expenses in the current year period are a result of the adoption of a new stock option plan and represents the fair value amortization of stock options grants issued in February 2017 to general and administrative employees and directors; MTI did not previously issue stock options and therefore no comparable expense existed in the prior year quarter;
- Increased legal and professional fees associated with the Transaction; and
- Salaries and benefits increased due to additional personnel needed to support ongoing activities.

The above noted increases were offset by CPRIT eligible expenses of $150,394 for which the Company was reimbursed in fiscal 2017, compared with $21,500 in the prior year.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	March 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016	March 31 2016	Dec. 31 2015	Sept. 30 2015	June 30 2015
	$	$	$	$	$	$	$	$
General and administration	542,243	622,756	311,498	208,114	226,535	38,195	45,514	118,012
Research and development	2,044,540	1,597,982	521,587	65,001	(162,654)	527,590	183,718	222,754
Net loss	(4,355,743)	(2,178,966)	(944,654)	(151,902)	(197,732)	(566,334)	(229,232)	(340,766)
Basic and diluted loss per share	(0.23)	(0.13)	(0.06)	(0.01)	(0.01)	(0.03)	(0.01)	(0.02)
Total assets	14,483,227	5,851,438	6,803,300	*	5,755,008	*	*	*
Total current and non-current financial liabilities	7,826,486	1,001,650	740,050	*	3,510,114	*	*	*

* Quarterly balance sheet results for these quarters are not available as the Company has not prepared complete financial statements for these quarters at this time.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has devoted its resources to funding research and development ("R&D") programs, including securing intellectual property rights and licenses, conducting discovery research, manufacturing drug supplies, initiating preclinical and clinical studies, submitting regulatory dossiers and providing administrative support to R&D activities, which has resulted in an accumulated deficit of $10,616,168 as of March 31, 2017. With current revenues only consisting of interest earned on excess cash, losses are expected to continue while the Company's R&D programs are advanced.

We currently do not earn any revenues from our drug candidates and are therefore considered to be in the development stage. As required, the Company will continue to finance its operations through the sale of equity or pursue non-dilutive funding sources available to the Company in the future. The continuation of our research and development activities and the commercialization of MDNA55 is dependent upon our ability to successfully finance and complete our research and development programs through a combination of equity financing and revenues from strategic partners. We have no current sources of significant revenues from strategic partners.

CASH POSITION

At March 31, 2017, we had a cash balance of $14,038,115 compared to $5,338,710 at March 31, 2016. We invest cash in excess of current operations requirements in highly rated and liquid instruments. Working capital at March 31, 2017 was $7,036,014 (March 31, 2016: $2,145,964). In addition, we have approximately US$6.5 million available to draw down from the CPRIT grant.

We do not expect to generate positive cash flow from operations for the foreseeable future due to additional R&D costs, including costs related to drug discovery, preclinical testing, clinical trials, CMC costs and operating expenses associated with supporting these activities. It is expected that negative cash flow from operations will continue until such time, if ever, that we receive regulatory approval to commercialize any of our products under development and/or royalty or milestone revenue from any such products should they exceed our expenses.

CONTRACTUAL OBLIGATIONS

As of March 31, 2017, we have the following obligations to make future payments, representing contracts and other commitments that are known and committed.

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

The Company utilizes temporary office space with terms of less than one year.

The Company cannot reasonably estimate future royalties which may be due upon the regulatory approval of MDNA55. Please refer to the section below for further details.

Government assistance

CPRIT assistance

In February 2015, we received notice that we had been awarded a grant by CPRIT whereby we are eligible to receive up to approximately US$14.1M on eligible expenditures over a three year period related to the development of our Phase 2b rGB clinical trials with MDNA55. On an ongoing basis, we must demonstrate that

the expenditures are eligible using CPRIT's criteria, show proof that we have 50% matching funds available and that best efforts have been made to establish substantial project related expenses within the state of Texas.

During the year ended March 31, 2016 we received US$2,244,130 as an advance from CPRIT. We recognized $1,513,894 (US$1,129,673) as an offset against eligible expenses during the year. We recognized the amount not offset against expenses during the year as a current liability in the amount of $1,445,562.

During the year ended March 31, 2017 we utilized the remaining advance balance of $1,445,562 outstanding at March 31, 2016 and in addition received an additional $484,598 (US$364,335) for reimbursement of expenses.

On February 24, 2017, we received an advance of US$5,000,000 from CPRIT. Of this advance $691,354 (US$529,773) was recognized as an offset against eligible expenses during the year. We have recognized the amount not offset against expenses during the year as a current liability in the amount of $5,949,870 (US$4,470,226).

The total amount offset against expenditures in the year ended March 31, 2017 was $2,621,517 (US$2,008,565).

Intellectual Property

The Company has entered into various license agreements with respect to accessing intellectual property in the form of filed and issued patents. 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 March 31, 2017, 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 license royalty of $636,000 in four equal instalments over the next four years to NIH, which represents 1.5% of the Fair Market Value of the Company upon completion of the Transaction (which constituted MTI's liquidity event).

As part of these license agreements, the Company has committed to make certain royalty payments based on net sales to Yissum Research Development Company of the Hebrew University of Jerusalem, Ltd., the NIH and Stanford.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel, which consists of the Company's officers and directors, received the following compensation for the years ended March 31, 2017 and 2016:

	2017	2016
	$	$
Salaries and wages	**1,059,771**	672,000
Board fees	**20,750**	-
Stock option expense	**127,441**	-
	1,207,962	672,000

As at March 31, 2017, there are no amounts outstanding to shareholders. As of March 31, 2016, the Company had an unsecured, non-interest bearing and payable on demand loan outstanding of $1,459,014 to the Company's shareholders. Pursuant to a directors resolution of the Company, date June 1, 2016 this loan was re-paid to the shareholders on June 8, 2016.

As at March 31, 2017, the Company had trade and other payables owing to related parties of $63,350 (2016: $112,575).

ACCOUNTING PRONOUNCEMENTS FOR FUTURE ADOPTION

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's consolidated financial instruments and financial statements has not yet been determined.

IFRS 15 Revenue from Contracts with Customers IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 15 on the Company's financial instruments and financial statements has not yet been determined.

IFRS 16, Leases IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's leases and financial statements has not yet been determined.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting policies are described in note 2 of the audited consolidated financial statements.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities include:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including

discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Significant management judgment is necessary. Changes in assumptions about these factors could affect the reported fair value of financial instruments

Deferred taxes

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

Share-based payments and compensation

The Company applies estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. The fair value of the underlying common shares are assessed as the most recent issuance price per common share for cash proceeds.

FINANCIAL INSTRUMENTS

(a) Fair value

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash, other receivables, loan from shareholders, 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 the loan from shareholders 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) Financial risk management

We have exposure to credit risk, liquidity risk and market risk. Our Board of Directors has the overall responsibility for the oversight of these risks and reviews our policies on an ongoing basis to ensure that these risks are appropriately managed.

i. 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 attempts to mitigate the risk associated with cash and cash equivalents by dealing only with major Canadian financial institutions with good credit ratings.

ii. 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.

iii. 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 and cash equivalents. The ability to do so relies on the Company maintaining sufficient cash and cash equivalents in excess of anticipated needs. As at March 31, 2017, the Company's liabilities consist of trade and other payables and a loan from shareholders that have contracted maturities of less than one year.

iv. 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 for the year and comprehensive loss of $293 thousand (March 31, 2016 - $92 thousand).

Balances in foreign currencies are as follows:

	2017	2016
	$	$
Cash	**7,069,230**	602,179
Accounts payable and accrued liabilities	**(389,200)**	(181,175)
Deferred government grant	**(4,470,226)**	(1,114,457)
	2,209,804	(693,453)

(c) Managing Capital

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.

RISKS AND UNCERTAINTIES

Risks Related to the Company's Business and the Company's Industry

The Company has no sources of product revenue and will not be able to maintain operations and research and development without sufficient funding.

The Company has no sources of product revenue and cannot predict when or if it will generate product revenue. The Company's ability to generate product revenue and ultimately become profitable depends upon its ability, alone or with partners, to successfully develop the product candidates, obtain regulatory approval, and commercialize products, including any of the current product candidates, or other product candidates that may be developed, in-licensed or acquired in the future. The Company does not anticipate generating revenue from the sale of products for the foreseeable future. The Company expects research and development expenses to increase in connection with ongoing activities, particularly as MDNA55 is advanced through clinical trials.

MDNA55 is in the early and mid stages of clinical development and, as a result, the Resulting Issuer will be unable to predict whether it will be able to profitably commercialize its product.

The Company has not received regulatory approval for the sale of MDNA55 in any market. Accordingly, the Company has not generated any revenues from product sales. A substantial commitment of resources to conduct clinical trials and for additional product development will be required to commercialize most of the products. There can be no assurance that MDNA55 will meet applicable regulatory standards, be capable of being produced in commercial quantities at reasonable cost or be successfully marketed, or that the investment made by the Company in the commercialization of the products will be recovered through sales, license fees or related royalties.

The Company is subject to the restrictions and conditions of the CPRIT agreement. Failure to comply with the CPRIT agreement may adversely affect the Resulting Issuer's financial condition and results of operations.

The Company has obtained a grant from CPRIT to fund a portion of its operations to date. The CPRIT grant is subject to the Company's compliance with the scope of work outlined in the CPRIT agreement and demonstration of its progress towards achievement of the milestones set forth in the CPRIT agreement. If the Company fails to comply with the terms of the CPRIT agreement, it may not receive the remaining tranches of the CPRIT grant or it may be required to reimburse some or the entire CPRIT grant. Further, the CPRIT grant may only be applied to a limited number of allowable expenses. Failure to obtain the remaining tranches of the CPRIT grant or being required to reimburse all or a portion of the CPRIT grant may cause a halt or delay in ongoing operations, which may adversely affect the Company's financial condition and operating results.

The Company's future success is dependent primarily on the regulatory approval of a single product.

The Company does not have any products that have gained regulatory approval. Currently, its only clinical product candidate is MDNA55. As a result, the Company's near-term prospects, including its ability to finance its operations and generate revenue, are substantially dependent on its ability to obtain regulatory approval for, and, if approved, to successfully commercialize MDNA55 in a timely manner. The Company cannot commercialize MDNA55 or other future product candidates in the United States without first obtaining regulatory approval for the product from the FDA; similarly, it cannot commercialize MDNA55 or other future product candidates outside of the United States without obtaining regulatory approval from comparable foreign regulatory authorities. Although MDNA55 has received Orphan Drug (FDA, EMA) and Fast Track (FDA) designations, there can be no assurance regulatory approval will be granted. Before obtaining regulatory approvals for the commercial sale of MDNA55 or other future product candidates for a target indication, the Company must demonstrate with substantial evidence gathered in pre-clinical and clinical studies to the satisfaction of the relevant regulatory authorities, that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. Many of these factors are beyond the Company's control. If the Company, or its potential commercialization

collaborators, are unable to successfully commercialize MDNA55, the Company may not be able to earn sufficient revenues to continue its business.

If the Company breaches any of the agreements under which it licenses rights to product candidates or technology from third parties, it can lose license rights that are important to its business. The Company's current license agreements may not provide an adequate remedy for breach by the licensor.

The Company is developing MDNA55 and other earlier stage pre-clinical and discovery drug candidates pursuant to license agreements with NIH, Stanford and HUJ (collectively, the "Licensors"). The Company is subject to a number of risks associated with its collaboration with the Licensors, including the risk that the Licensors may terminate the license agreement upon the occurrence of certain specified events. The license agreement requires, among other things, that the Company makes certain payments and use reasonable commercial efforts to meet certain clinical and regulatory milestones. If the Company fails to comply with any of these obligations or otherwise breach this or similar agreements, the Licensors or any future licensors may have the right to terminate the license in whole. The Company can also suffer the consequences of non-compliance or breaches by Licensors in connection with the license agreements. Such non-compliance or breaches by such third parties can in turn result in breaches or defaults under the Company's agreements with other collaboration partners, and the Company can be found liable for damages or lose certain rights, including rights to develop and/or commercialize a product or product candidate. Loss of the Company's rights to the licensed intellectual property or any similar license granted to it in the future, or the exclusivity rights provided therein, can harm the Company's financial condition and operating results.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results and the Company's product candidates may not have favourable results in later trials or in the commercial setting.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early clinical trials may not be predictive of the results of later-stage clinical trials. Success in pre-clinical or animal studies and early clinical trials does not ensure that later large-scale efficacy trials will be successful nor does it predict final results. Favourable results in early trials may not be repeated in later trials. There is no assurance the FDA, EMA or other similar government bodies will view the results as the Company does or that any future trials of its proposed products for other indications will achieve positive results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials.

The Company will be required to demonstrate through larger-scale clinical trials that any potential future product is safe and effective for use in a diverse population before it can seek regulatory approvals for commercial sale of its product. There is typically an extremely high rate of attrition from the failure of product candidates proceeding through clinical and post-approval trials. If MDNA55 fails to demonstrate sufficient safety and efficacy in ongoing or future clinical trials, the Company's operations and financial condition will be adversely impacted.

If the Company is unable to enroll subjects in clinical trials, it will be unable to complete these trials on a timely basis.

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors including the size and nature of the patient population, the proximity of subjects to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, ability to obtain and maintain patient consents, risk that enrolled subjects will drop out before completion, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications the Company is investigating. Furthermore, the Company relies on Contract Research Organizations ("CROs") and clinical trial sites to ensure the proper and timely conduct of its clinical trials, and while it has agreements governing their committed activities, the Company has limited influence over their actual performance.

If the Company experiences delays in the completion or termination of any clinical trial of its proposed products or any future product candidates, the commercial prospects of its product candidates will be harmed and its ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing clinical trials will increase costs, slow down product candidate development and approval process and can shorten any periods during which the Company may have the exclusive right to commercialize its product candidates or allow its competitors to bring products to market before it does. Delays can further jeopardize the Company's ability to commence product sales, which will impair its ability to generate revenues and may harm the business, results of operations, financial condition and cash flows and future prospects. In addition, many of the factors that can cause a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of its proposed products or its future product candidates.

The Company relies and will continue to rely on third parties to plan, conduct and monitor preclinical studies and clinical trials, and their failure to perform as required could cause substantial harm to the Company's business.

The Company relies and will continue to rely on third parties to conduct a significant portion of clinical development and planned preclinical activities. Preclinical activities include in vivo studies providing access to specific disease models, pharmacology and toxicology studies, and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in the Company's relationship with third parties, or if the Company is unable to provide quality services in a timely manner and at a feasible cost, any active development programs could face delays. Further, if any of these third parties fails to perform as expected or if their work fails to meet regulatory requirements, testing could be delayed, cancelled or rendered ineffective.

The Company relies on contract manufacturers over whom the Company has limited control. If the Company is subject to quality, cost or delivery issues with the preclinical and clinical grade materials supplied by contract manufacturers, business operations could suffer significant harm.

The Company has limited manufacturing experience and relies on contract development and manufacturing organizations ("CDMOs"), to manufacture MDNA55 for clinical trials. The Company relies on CDMOs for manufacturing, filling, packaging, storing and shipping of drug product in compliance with cGMP, regulations applicable to its products. The FDA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations. The cGMP regulations for drugs contain minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product. The Company currently has sufficient quantity of MDNA55 to complete the planned clinical studies. The Company plans to utilize CDMO's which are licensed by both the FDA and EMA.

There can be no assurances that the CDMOs selected will be able to meet future timetables and requirements. If the Company is unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, it may delay the development of the product candidates. Further, contract manufacturers must operate in compliance with cGMP and failure to do so could result in, among other things, the disruption of product supplies. The Company's dependence upon third parties for the manufacture of its products may adversely affect profit margins and ability to develop and deliver products on a timely and competitive basis.

The Company is highly dependent upon certain key personnel and their loss could adversely affect the its ability to achieve its business objective.

The loss of Dr. Fahar Merchant, the President and Chief Executive Officer, Rosemina Merchant, the Chief Development Officer or other key members of the scientific and operating staff could harm the Company. Employment agreements exist with Dr. Merchant and Ms. Merchant, although such employment agreements do not guarantee their retention. The Company also depends on scientific and clinical collaborators and advisors,

all of whom have outside commitments that may limit their availability. In addition, the Company believes that future success will depend in large part upon its ability to attract and retain highly skilled scientific, managerial, medical, clinical and regulatory personnel. Agreements have been entered into with scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of business as well as with physicians and institutions who will recruit patients into the MDNA55 clinical trial. Notwithstanding these arrangements, there is significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. The loss of the services of any of the executive officers or other key personnel could potentially harm the Company's business, operating results or financial condition.

If the Company's competitors develop and market products that are more effective than its existing product candidates or any products that it may develop, or obtain marketing approval before the it does, its products may be rendered obsolete or uncompetitive.

Technological competition from pharmaceutical companies, biotechnology companies and universities is intense and is expected to increase. Many of its competitors and potential competitors have substantially greater product development capabilities and financial, scientific, marketing and human resources than it does. Its future success depends in part on its ability to maintain a competitive position, including its ability to further progress MDNA55 through the necessary pre-clinical and clinical trials towards regulatory approval for sale and commercialization. Other companies may succeed in commercializing products earlier than the Company is able to commercialize its products or they may succeed in developing products that are more effective than its products. While the Company will seek to expand its technological capabilities in order to remain competitive, there can be no assurance that developments by others will not render its products non-competitive or that the Company or its licensors will be able to keep pace with technological developments. Competitors have developed technologies that could be the basis for competitive products. Some of those products may have an entirely different approach or means of accomplishing the desired therapeutic effect than the Company's products and may be more effective or less costly than its products. In addition, other forms of medical treatment may offer competition to the products. The success of the Company's competitors and their products and technologies relative to its technological capabilities and competitiveness could have a material adverse effect on the future pre-clinical and clinical trials of its products, including its ability to obtain the necessary regulatory approvals for the conduct of such trials.

The Company will be subject to extensive government regulation that will increase the cost and uncertainty associated with gaining final regulatory approval of its product candidates.

Securing final regulatory approval for the manufacture and sale of human therapeutic products in the United States, Canada and other markets is a long and costly process that is controlled by that particular country's national regulatory agency. Approval in the United States, Canada, or Europe does not assure approval by other national regulatory agencies, although often test results from one country may be used in applications for regulatory approval in another country. Other national regulatory agencies have similar regulatory approval processes, but each is different.

Prior to obtaining final regulatory approval to market a drug product, every national regulatory agency has a variety of statutes and regulations which govern the principal development activities. These laws require controlled research and testing of products, government review and approval of a submission containing pre-clinical and clinical data establishing the safety and efficacy of the product for each use sought, approval of manufacturing facilities including adherence to Good Manufacturing Practice during production and storage and control of marketing activities, including advertising and labelling. There can be no assurance that MDNA55 will be successfully commercialized in any given country. There can be no assurance that the Company's licensed products will prove to be safe and effective in clinical trials under the standards of the regulations in the various jurisdictions or receive applicable regulatory approvals from applicable regulatory bodies.

Negative results from clinical trials or studies of others and adverse safety events involving the targets of the Company's products may have an adverse impact on future commercialization efforts.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the Company's product candidates, or the therapeutic areas in which the Company's product candidates compete, could adversely affect the share price and ability to finance future development of the Company's product candidates, and the business and financial results could be materially and adversely affected.

The Company faces the risk of product liability claims, which could exceed its insurance coverage and produce recalls, each of which could deplete cash resources.

The Company is exposed to the risk of product liability claims alleging that use of its product candidate MDNA55 caused an injury or harm. These claims can arise at any point in the development, testing, manufacture, marketing or sale of product candidates and may be made directly by patients involved in clinical trials of product candidates, by consumers or healthcare providers or by individuals, organizations or companies selling the products. Product liability claims can be expensive to defend, even if the product or product candidate did not actually cause the alleged injury or harm.

Insurance covering product liability claims becomes increasingly expensive as a product candidate moves through the development pipeline to commercialization. Currently the Company maintains clinical trial liability insurance coverage of $5 million. However, there can be no assurance that such insurance coverage is or will continue to be adequate or available at a cost acceptable to the Company or at all. The Company may choose or find it necessary under its collaborative agreements to increase the insurance coverage in the future but may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for damages resulting from a product liability claim could exceed the amount of the coverage, require payment of a substantial monetary award from the Company's cash resources and have a material adverse effect on the business, financial condition and results of operations. Moreover, a product recall, if required, could generate substantial negative publicity about the products and business, inhibit or prevent commercialization of other products and product candidates or negatively impact existing or future collaborations.

The Company may not achieve its publicly announced milestones according to schedule, or at all.

From time to time, the Company may announce the timing of certain events expected to occur, such as the anticipated timing of results from clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. These variations in timing may occur as a result of different events, including the ability to recruit patients in a clinical trial in a timely manner, the nature of results obtained during a clinical trial or during a research phase, problems with a CDMO or a CRO, or any other event having the effect of delaying the publicly announced timeline. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on the business plan, financial condition or operating results and the trading price of the common shares.

Changes in government regulations, although beyond the Company's control, could have an adverse effect on the Company's business.

The Company depends upon the validity of its licenses and access to the data for the timely completion of clinical research. Any changes in the drug development regulatory environment or shifts in political attitudes of a government are beyond the Company's control and may adversely affect its business. The Company's business may also be affected in varying degrees by such factors as government regulations with respect to intellectual

property, regulation or export controls. Such changes remain beyond the Company's control and the effect of any such changes cannot be predicted. These factors could have a material adverse effect on the Company's ability to further develop its licensed products.

The Company's significant shareholders may have material influence over its governance and operations.

Dr. Fahar Merchant and Ms. Rosemina Merchant (collectively, the "Merchants"), hold a controlling interest in the Company's outstanding common shares on a fully diluted basis. For as long as the Merchants maintain a significant interest in the Company, they may be in a position to affect the Company's governance and operations. In addition, the Merchants may have significant influence over the passage of any resolution of the Company's shareholders (such as those that would be required to amend the constating documents or take certain other corporate actions) and may, for all practical purposes, be able to ensure the passage of any such resolution by voting for it or prevent the passage of any such resolution by voting against it. The effect of this influence may be to limit the price that investors are willing to pay for the Common Shares. In addition, the potential that The Merchants may sell their Common Shares in the public market (commonly referred to as "market overhang"), as well as any actual sales of such common shares in the public market, could adversely affect the market price of the Common Shares.

The Company's discovery and development processes involve use of hazardous and radioactive materials which may result in potential environmental exposure.

The Company's discovery and development processes involve the controlled use of hazardous and radioactive materials. The Company is subject to federal, provincial, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although the Company believes that the current safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the Company's resources. The Company is not specifically insured with respect to this liability. Although the Company believes that the Company is in compliance in all material respects with applicable environmental laws and regulations and currently does not expect to make material capital expenditures for environmental control facilities in the near-term, there can be no assurance that the Company will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that the operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

If the Company is unable to successfully develop companion diagnostics for its therapeutic product candidates, or experience significant delays in doing so, the Company may not achieve marketing approval or realize the full commercial potential of its therapeutic product candidates.

The Company plans to develop companion diagnostics for its therapeutic product candidates. It is expected that, at least in some cases, regulatory authorities may require the development and regulatory approval of a companion diagnostic as a condition to approving a therapeutic product candidate. The Company has limited experience and capabilities in developing or commercializing diagnostics and plans to rely in large part on third parties to perform these functions. The Company does not currently have any agreement in place with any third party to develop or commercialize companion diagnostics for any of its therapeutic product candidates.

Companion diagnostics are subject to regulation by the FDA, Health Canada and comparable foreign regulatory authorities as medical devices and may require separate regulatory approval or clearance prior to commercialization. If the Company, or any third parties that the Company engages to assist, are unable to successfully develop companion diagnostics for the Company's therapeutic product candidates, or experience delays in doing so, the Company's business may be substantially harmed.

Significant disruption in availability of key components for ongoing clinical studies could considerably delay completion of potential clinical trials, product testing and regulatory approval of potential product candidates.

The Company relies on third parties to supply ingredients and excipients for the manufacture and formulation of its drugs, catheters required to deliver the drug to the brain as well as imaging software to accurately place catheters in the tumour (each, a "Component" and collectively the "Components"). Each of the suppliers of these Components in turn need to comply with regulatory requirements. Any significant disruption in supplier relationships could harm the Company's business. Any significant delay in the supply of a Component, for a potential ongoing clinical study could considerably delay completion of potential clinical trials, product testing and regulatory approval of potential product candidates. If the Company or its suppliers are unable to purchase these Components after regulatory approval has been obtained for the product candidates, or the suppliers decide not to manufacture these Components or provide support for any of the Components, the commercial launch of that product candidates would be delayed or there would be a shortage in supply, which would impair the ability to generate revenues from the sale of the product candidates. It may take several years to establish an alternative source of supply for such Components and to have any such new source approved by the FDA and other regulatory agencies.

Risks Related To Intellectual Property And Litigation

The Company's success depends upon its ability to protect its intellectual property and its proprietary technology.

The Company's success depends, in part, on its ability and its licensors' ability to obtain patents, maintain trade secrets protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent its rights. Certain licensors and the institutions that they represent, and in certain cases, have filed and are actively pursuing certain applications for Canadian and foreign patents. The patent position of pharmaceutical and biotechnology firms is uncertain and involves complex legal and financial questions for which, in some cases, certain important legal principles remain unresolved. There can be no assurance that the patent applications made in respect of the owned or licensed products will result in the issuance of patents, that the term of a patent will be extendable after it expires in due course, that the licensors or the institutions that they represent will develop additional proprietary products that are patentable, that any patent issued to the licensors or the Company will provide it with any competitive advantages, that the patents of others will not impede its ability to do business or that third parties will not be able to circumvent or successfully challenge the patents obtained in respect of the licensed products. The cost of obtaining and maintaining patents is high. Furthermore, there can be no assurance that others will not independently develop similar products which duplicate any of the licensed products or, if patents are issued, design around the patent for the product. There can be no assurance that the Company's processes or products or those of its licensors do not or will not infringe upon the patents of third parties or that the scope of its patents or those of its licensors will successfully prevent third parties from developing similar and competitive products.

Much of the Company's know-how and technology may not be patentable, though it may constitute trade secrets. There can be no assurance, however, that the Company will be able to meaningfully protect its trade secrets. To help protect its intellectual property rights and proprietary technology, the Company requires employees, consultants, advisors and collaborators to enter into confidentiality agreements. There can be no assurance that these agreements will provide meaningful protection for its trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

The Company's potential involvement in intellectual property litigation could negatively affect its business.

Its future success and competitive position depends in part upon its ability to maintain the its intellectual property portfolio. There can be no assurance that any patents will be issued on any existing or future patent applications. Even if such patents are issued, there can be no assurance that any patents issued or licensed to the Company will not be challenged. The Company's ability to establish and maintain a competitive position may be achieved in part by prosecuting claims against others who it believes are infringing its rights and by defending claims brought by others who believe that the Company is infringing their rights. In addition, enforcement of its patents in foreign jurisdictions will depend on the legal procedures in those jurisdictions. Even if such claims are found to be invalid, the Company's involvement in intellectual property litigation could have a material adverse effect on its ability to out-license any products that are the subject of such litigation. In addition, its involvement in intellectual property litigation could result in significant expense, which could materially adversely affect the use

or licensing of related intellectual property and divert the efforts of its valuable technical and management personnel from their principal responsibilities, whether or not such litigation is resolved in its favour.

The Company's reliance on third parties requires it to share its trade secrets, which increases the possibility that a competitor will discover them.

Because the Company relies on third parties to develop its products, it must share trade secrets with them. The Company seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of the Company's collaborators, advisors, employees and consultants to publish data potentially relating to the Company's trade secrets. The Company's academic collaborators typically have rights to publish data, provided that the Company is notified in advance and may delay publication for a specified time in order to secure its intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Company, although in some cases it may share these rights with other parties. The Company also conducts joint research and development programs which may require it to share trade secrets under the terms of research and development collaboration or similar agreements. Despite the Company's efforts to protect its trade secrets, its competitors may discover its trade secrets, either through breach of these agreements, independent development or publication of information including its trade secrets in cases where the Company does not have proprietary or otherwise protected rights at the time of publication. A competitor's discovery of the Company's trade secrets may impair its competitive position and could have a material adverse effect on its business and financial condition.

Product liability claims are an inherent risk of the Company's business, and if the Company's clinical trial and product liability insurance prove inadequate, product liability claims may harm its business.

Human therapeutic products involve an inherent risk of product liability claims and associated adverse publicity. There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could have a material adverse effect on the Company's business by preventing or inhibiting the commercialization of its products, licensed and owned, if a product is withdrawn or a product liability claim is brought against the Company.

Other Risks

The Company will have significant additional future capital needs and there are uncertainties as to its ability to raise additional funding.

The Company will require significant additional capital resources to expand its business, in particular the further development of its proposed products. Advancing its product candidates or acquisition and development of any new products or product candidates will require considerable resources and additional access to capital markets. In addition, the Company's future cash requirements may vary materially from those now expected.

The Company can potentially seek additional funding through corporate collaborations and licensing arrangements, through public or private equity or debt financing, or through other transactions. However, if clinical trial results are neutral or unfavourable, or if capital market conditions in general, or with respect to life sciences companies such as Medicenna, are unfavourable, the Company's ability to obtain significant additional funding on acceptable terms, if at all, will be negatively affected. Additional financing that it may pursue may involve the sale of the Common Shares or financial instruments that are exchangeable for, or convertible into, the Common Shares, which could result in significant dilution to its shareholders. If sufficient capital is not available, the Company may be required to delay the implementation of its business strategy, which could have a material adverse effect on its business, financial condition, prospects or results of operations.

A prolonged decline in the price of the Common Shares could result in a reduction in the liquidity of the Common Shares and a reduction in the Company's ability to raise capital. As a significant portion of the Company's operations will probably be financed through the sale of equity securities a decline in the price of the Common Shares could be especially detrimental to liquidity.

Future sales or issuances of equity securities or the conversion of securities to common shares could decrease the value of the common shares, dilute investors' voting power, and reduce earnings per share.

The Company may sell additional equity securities in future offerings, including through the sale of securities convertible into equity securities, to finance operations, acquisitions or projects, and issue additional common shares if outstanding securities are converted to common shares, which may result in dilution.

The Company's board of directors will have the authority to authorize certain offers and sales of additional securities without the vote of, or prior notice to, shareholders. Based on the need for additional capital to fund expected expenditures and growth, it is likely that the Company will issue additional securities to provide such capital. Such additional issuances may involve the issuance of a significant number of Common Shares at prices less than $2.00 per common share.

Sales of substantial amounts of securities, or the availability of such securities for sale, as well as the issuance of substantial amounts of common shares upon conversion of outstanding convertible equity securities, could adversely affect the prevailing market prices for securities and dilute investors' earnings per share. A decline in the future market prices of the Company's securities could impair its ability to raise additional capital through the sale of securities should it desire to do so.

The Company is subject to foreign exchange risk relating to the relative value of the United States dollar.

A material portion of the Company's expenses are denominated in United States dollars. As a result, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the United States dollar. A decline in the Canadian dollar would result in an increase in the actual amount of its expenses and adversely impact financial performance.

Any failure to maintain an effective system of internal controls may result in material misstatements of the Company's consolidated financial statements or cause the Company to fail to meet the reporting obligations or fail to prevent fraud; and in that case, shareholders could lose confidence in the Company's financial reporting, which would harm the business and could negatively impact the price of the common shares.

Effective internal controls are necessary to provide reliable financial reports and prevent fraud. If there is a failure to maintain an effective system of internal controls, the Company might not be able to report financial results accurately or prevent fraud; and in that case, shareholders could lose confidence in the Company's financial reporting, which would harm the business and could negatively impact the price of the common shares. While the Company believes that it will have sufficient personnel and review procedures to maintain an effective system of internal controls, no assurance can be provided that potential material weaknesses in internal control could arise. Even if it is concluded that the internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm results of operations or cause a failure to meet future reporting obligations.

Any future profits will likely be used for the continued growth of the business and products and will not be used to pay dividends on the issued and outstanding shares.

The Company will not pay dividends on the issued and outstanding Common Shares in the foreseeable future. If the Company generates any future earnings, such cash resources will be retained to finance further growth

and current operations. The board of directors will determine if and when dividends should be declared and paid in the future based on the Company's financial position and other factors relevant at the particular time. Until the Company pays dividends, which it may never do, a shareholder will not be able to receive a return on his or her investment in the Common Shares unless such Common Shares are sold. In such event, a shareholder may only be able to sell his, her or its Common Shares at a price less than the price such shareholder originally paid for them, which could result in a significant loss of such shareholder's investment.

The market for shares in Canada is not stable or predictable and shareholder profits are not in the foreseeable future.

The market price for the Common Shares cannot be assured. Securities markets have recently experienced an extreme level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

The trading price of the Common Shares has been, and may continue to be, subject to large fluctuations. For the same reason, the value of any of the Company's securities convertible into, or exchangeable for, the Common Shares may also fluctuate significantly, which may result in losses to investors. The trading price of the Common Shares and, if applicable, any securities exercisable for, convertible into, or exchangeable for, the Common Shares may increase or decrease in response to a number of events and factors, both known and unknown. In addition, the market price of the Common Shares will be affected by many variables not directly related to the Company's success and will therefore not be within its control, including other developments that affect the market for all drug development securities, the breadth of the public market for the common shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares has historically made the Common Share price volatile and suggests that the Common Share price will continue to be volatile in the future.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

The market price for the Common Shares may also be affected by the Company's ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of the Common Shares.

The Company may pursue other business opportunities in order to develop its business and/or products.

From time to time, the Company may pursue opportunities for further research and development of other products. The Company's success in these activities will depend on its ability to identify suitable technical experts, market needs, and effectively execute any such research and development opportunities. Any research and development would be accompanied by risks as a result of the use of business efforts and funds. In the event that the Company chooses to raise debt capital to finance any such research or development opportunities, its leverage will be increased. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with any research or development opportunities.

Generally, a litigation risk exists for any company that may compromise its ability to conduct the Company's business.

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company's success depends on its ability to effectively manage its growth.

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require the Company to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. Inability to deal with this growth could have a material adverse impact on its business, operations and prospects. The Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for its personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support its operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

The Company is likely a "passive foreign investment company," which may have adverse United States federal income tax consequences for United States shareholders.

United States investors should be aware that the Company believes it was classified as a passive foreign investment company ("PFIC"), during the tax years ended March 31, 2017 and 2016, and based on current business plans and financial expectations, the Company expects that it will be a PFIC for the current tax year and may be a PFIC in future tax years. If the Company is a PFIC for any year during a United States shareholder's holding period of the Common Shares, then such United States shareholder generally will be required to treat any gain realized upon a disposition of the Common Shares, or any so-called "excess distribution" received on the Common Shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election ("QEF Election"), or a "mark-to-market" election with respect to the Common Shares. A United States shareholder who makes a QEF Election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any year in which the Company is a PFIC, whether or not the Company distribute any amounts to its shareholders. A United States shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the Common Shares over the shareholder's adjusted tax basis therein. Each United States shareholder should consult its own tax advisors regarding the PFIC rules and the United States federal income tax consequences of the acquisition, ownership and disposition of the Common Shares.

It may be difficult for non-Canadian investors to obtain and enforce judgments against the Company because of the Company's Canadian incorporation and presence.

The Company is a corporation existing under the laws of the Province of Alberta, Canada. Several of the Company's directors and officers, and several of the experts are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of the Company's assets, are located outside the United States. Consequently, although the Company has appointed an agent for service of process in the United States, it may be difficult for holders of the Company's securities who reside in the United States to effect service within the United States upon those directors and officers, and the experts who are not residents of the United States. It may also be difficult for holders of the Company's securities who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon the Company's civil liability and the civil liability of the Company's directors, officers and experts under the United States federal securities laws. Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against the Company or such directors, officers or experts predicated upon the civil liability provisions of the United States federal securities laws or the securities or "blue sky" laws of any state or jurisdiction of the United States or (ii) would enforce, in original actions, liabilities against the Company or such directors, officers or experts predicated upon the United States federal securities laws or any securities or "blue sky" laws of any state or jurisdiction of the United States. In addition, the protections afforded by Canadian securities laws may not be available to investors in the United States.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has implemented a system of internal controls that it believes adequately protects the assets of the Company and is appropriate for the nature of its business and the size of its operations. The internal control system was designed to provide reasonable assurance that all transactions are accurately recorded, that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our assets are safeguarded.

These internal controls include disclosure controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer and the Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud. There were no changes in our internal control over financial reporting that occurred during the year ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As of March 31, 2017, the Company's management has assessed the effectiveness of our internal control over financial reporting and disclosure controls and procedures using the Committee of Sponsoring Organizations of the Treadway Commission's 2013 framework. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these controls and procedures are effective.

OTHER MD&A REQUIREMENTS

Outstanding Share Data

As at the date of this report, the Company has the following securities outstanding:

	Number
Common Shares	24,313,334
Warrants	3,294,105
Stock Options	1,291,657
Total	**28,899,096**

For a detailed summary of the outstanding securities convertible into, exercisable or exchangeable for voting or equity securities of Medicenna as at March 31, 2017, refer to Note 9 in the audited 2017 annual financial statements of the Company.

Additional information relating to the Company, including the Company's annual information form in respect of fiscal year 2017, is available under the Company's profile on SEDAR at www.sedar.com.

Consolidated financial statements of

Medicenna Therapeutics Corp.

(Expressed in Canadian Dollars)

For the years ended March 31, 2017 and 2016

Medicenna Therapeutics Corp.

March 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Medicenna Therapeutics Corp.

We have audited the accompanying consolidated financial statements of Medicenna Therapeutics Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated statements of operations, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Medicenna Therapeutics Corp. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

June 15, 2017

Medicenna Therapeutics Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

as at March 31, 2017 and 2016

	2017	2016
	$	$
Assets		
Current assets		
Cash	**14,038,115**	5,338,710
R&D tax credit receivable	**-**	100,000
Prepaids and deposits (Note 6)	**213,825**	204,618
Other receivables	**133,560**	12,750
	14,385,500	5,656,078
Intangible assets (Note 13)	**93,983**	98,930
Fixed assets	**3,744**	-
	14,483,227	5,755,008
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**1,399,616**	605,538
Deferred government grants (Note 13)	**5,949,870**	1,445,562
Loan from shareholders (Note 8)	**-**	1,459,014
	7,349,486	3,510,114
License fee payable (Note 13)	**477,000**	-
	7,826,486	3,510,114
Shareholders' Equity		
Common shares (Note 9)	**13,463,734**	1,730,425
Special warrants (Note 9)	**-**	2,457,373
Contributed surplus (Notes 10 and 11)	**3,594,945**	865,039
Accumulated other comprehensive income	**214,230**	176,960
Deficit	**(10,616,168)**	(2,984,903)
	6,656,741	2,244,894
	14,483,227	5,755,008

Commitments (Note 14)

Approved by the Board

/s/ Albert Beraldo Director

/s/ Chandra Panchal Director

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

Medicenna Therapeutics Corp.

Consolidated Statements of Operations
(Expressed in Canadian Dollars)
years ended March 31, 2017 and 2016

	2017	2016
	$	$
Operating expenses		
General and administration (Note 16)	**1,684,611**	428,256
Research and development (Note 16)	**4,229,110**	771,408
Total operating expenses	**5,913,721**	1,199,664
Listing expense (Note 5)	**1,784,414**	-
Interest income	**(32,800)**	-
Foreign exchange loss	**(34,130)**	133,959
Interest expense	**60**	441
	1,717,544	134,400
Net loss for the year	**(7,631,265)**	(1,334,064)
Cummulative translation adjustment	**37,270**	176,960
Net loss and comprehensive loss for the year	**(7,593,995)**	(1,157,104)
Basic and diluted loss per share	**(0.45)**	(0.08)
Weighted average number of common shares outstanding (note 9(d))	**16,912,422**	15,996,038

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

Medicenna Therapeutics Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years ended March 31, 2017 and 2016

	2017	2016
	$	$
Operating activities		
Net loss for the year	**(7,631,265)**	(1,334,064)
Items not involving cash		
Depreciation	**6,487**	1,435
Stock based compensation	**140,185**	-
Listing expense (Note 5)	**1,784,414**	-
R&D warrant expense	**236,858**	-
Government grant expense recoveries	**(2,621,517)**	(1,513,894)
Unrealized foreign exchange	**27,387**	172,716
Changes in non-cash working capital		
Other receivables and deposits	**(30,017)**	(210,779)
Accounts payable and accrued liabilities	**782,140**	313,671
	(7,305,328)	(2,570,915)
Investing activities		
Cash acquired in reverse takeover transaction (Note 5)	**608,530**	-
Purchase of fixed assets	**(5,385)**	-
	603,145	-
Financing activities		
Proceeds from issuance of equity instruments (net)	**9,230,503**	3,324,026
Proceeds (returned) from issuance of preferred shares	**-**	(40)
Warrant and option exercises	**11,261**	-
Long term license fee payable	**477,000**	-
Government grants received	**7,125,825**	3,068,731
Loan from shareholders	**(1,459,014)**	1,459,014
	15,385,575	7,851,731
Effect of foreign exchange on cash	**16,013**	(67,671)
Net increase (decrease) in cash	**8,683,392**	5,280,816
Cash, beginning of year	**5,338,710**	125,565
Cash, end of year	**14,038,115**	5,338,710

Other non-cash transactions

Common shares issued for intangible assets	**$ -**	$ 98,930
Broker warrant and incentive warrants issued	**$ 1,979,939**	$ 865,039

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

Medicenna Therapeutics Corp.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

Years ended March 31, 2017 and 2016

	Common shares issued and outstanding		Preferred Shares	Special Warrants	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity (deficiency)
	Number	Amount						
		$	$	$	$	$	$	$
Balance, March 31, 2015	**15,600,000**	**1,631,495**	**40**	**-**	**-**	**-**	**(1,650,839)**	**(19,304)**
Preferred shares returned	-	-	(40)	-	-	-	-	(40)
Special warrant financing (Note 9)	-	-	-	2,457,373	865,039	-	-	3,322,412
Common shares issued (Note 10)	649,999	98,930	-	-	-	-	-	98,930
Net loss and comprehensive loss	-	-	-	-	-	176,960	(1,334,064)	(1,157,104)
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 (Note 9)	-	-	-	3,805,810	1,979,739	-	-	5,785,549
Effect of Transaction (Note 5)	14,500	2,171,856	-	-	215,179	-	-	2,387,035
Issued to A2 shareholders (Note 9)	1,071,429	-	-	-	-	-	-	-
Issued to MTI special warrant holders (Note 9)	4,971,416	6,263,183	-	(6,263,183)	-	-	-	-
Issued in MTI private placement (Note 9)	2,000,000	3,281,086	-	-	163,868	-	-	3,444,954
Issued Incentive warrants (Note 9)	-	-	-	-	236,858	-	-	236,858
Stock options (Note 11)	-	-	-	-	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**

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") (Note 5). 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.

Medicenna has three wholly owned subsidiaries, Medicenna Therapeutics Inc. (British Columbia), Medicenna Biopharma Inc. (Delaware) and Medicenna Biopharma Inc. (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 March 31, 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.

In accordance with the authority granted by shareholders at A2's annual and special meeting on January 27, 2017 to permit it to implement a consolidation of A2's outstanding common shares on a ratio of 1-for-14 in connection with the Qualifying Transaction, A2's Board of Directors approved a 1-for-14 share consolidation which became effective February 28, 2017 (the "Consolidation"). The share consolidation affected all of A2's common shares, stock options and warrants outstanding at the effective time. Fractional shares were not issued.

In these consolidated financial statements, all references to number of shares, stock options and warrants in the current and past periods have been adjusted to reflect the impact of the A2 share consolidation. All amounts based on the number of shares, stock options or warrants, unless otherwise specified, such as earnings (loss) per share and weighted average issuance price in the case of stock options have been adjusted to reflect the impact of the 1-for-14 A2 share consolidation.

2. Significant accounting policies

a) Basis of measurement and statement of compliance

These consolidated financial statements have been prepared in accordance 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 consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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, MTI and Medicenna BioPharma Inc. (British Columbia) is the Canadian dollar and the functional currency of Medicenna BioPharma Inc. (Delaware) is the US dollar and the presentation currency of the Company is the Canadian dollar.

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on June 15, 2017.

2. Significant accounting policies (continued)

b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Medicenna Therapeutics Inc. (British Columbia), Medicenna BioPharma Inc (Delaware) and Medicenna BioPharma Inc. (British Columbia, Inactive). All intercompany balances and transactions have been eliminated.

c) Cash

Cash consists of amounts held in banks with maturities less than three months at inception. Interest from cash is recorded on an accrual basis. The Company does not have any cash equivalents.

d) Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Investment tax credits related to current expenditures are included in the determination of net income as the expenditures are incurred when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

e) Government assistance

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit, or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

f) Intangible assets

The Company owns certain patents, intellectual property licenses and options to acquire intellectual property. The Company expenses patent costs, including license fees and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred. The Company capitalizes cost directly related to the acquisition of existing license patents.

The Company does not hold any intangible asset with an indefinite life.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least

2. Significant accounting policies (continued)

annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in general and administrative expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use to August 31, 2035.

g) *Income taxes*

Current tax and deferred tax are recognized in the Company's profit and loss, except to the extent that it relates to a business combination or items recognized directly in equity or in net loss and comprehensive loss.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has been probable that future taxable profit will allow the deferred tax asset to be recovered.

h) *Basic and diluted loss per common share*

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share. Since the Company has losses, the exercise of outstanding options has not been included in this calculation as it would be anti-dilutive.

i) *Equipment*

The Company's fixed assets comprise of computer equipment for use in general and administrative and research activities.

Depreciation is recognized using the straight-line method based on an expected life of the assets.

Impairment of long-lived assets

The Company's long-lived assets are reviewed for indications of impairment at the date of preparing each statement of financial position. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying value of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets

2. Significant accounting policies (continued)

that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. For the purpose of impairment testing, the Company determined it has one cash-generating unit. The recoverable amount is the greater of the asset's fair value less cost to sell and value in use.

j) Stock-based compensation

The Company has a stock-based compensation plan (the "Plan") available to officers, directors, employees and consultants with grants under the Plan approved by the Company's Board of Directors. Under the Plan, the exercise price of each option equals the closing trading price of the Company's stock on the day prior to the grant. Vesting is provided for at the discretion of the Board of Directors and the expiration of options is to be no greater than 10 years from the date of grant. The Company uses the fair value based method of accounting for employee awards granted under the Plan. The Company calculates the fair value of each stock option grant using the BlackScholes option pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options using an estimate of the number of options that will eventually vest.

Stock options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

k) Financial instruments

Financial assets

The Company's financial assets are comprised of cash and other receivables. All financial assets are initially recorded at fair value plus directly attributable transaction costs except for fair value through profit or loss where costs are expensed and designated upon inception into one of four categories: at fair value through profit or loss, held-to maturity, available-for-sale, or loans and receivables.

Subsequent to initial recognition, the financial assets are measured in accordance with the following:

- Financial assets classified as fair value through profit or loss are measured at fair value. All gains and losses resulting from changes in their fair value are included in the net income/loss in the period in which they arise. The Company has classified its cash as fair value through profit or loss.
- Held-to-maturity investments, and loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income / loss, using the effective interest method less any impairment.
- Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is sold, at which time they will be recorded in net income / loss. Significant or prolonged declines in the fair value of available-for-sale financial assets are recorded in net income / loss.
- Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, with gains and losses recognized in net income / loss in the period that the asset is derecognized or impaired. Other receivables are classified as loans and receivables.

Derivatives embedded in other financial instruments or non-financial contracts (the "host instrument") are treated as separate derivatives with fair value changes recognized in net income/loss when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading. Free-standing derivatives that meet

2. Significant accounting policies (continued)

the definition of an asset or liability are measured at their fair value and reported in the Company's consolidated financial statements. There were no embedded or freestanding derivatives identified in a review of the Company's contracts.

The Company assesses at each reporting period date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted.

Financial liabilities

The Company's financial liabilities are comprised of accounts payable and accrued liabilities, loan from shareholder, deferred government grants and license fee payable. All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other liabilities.

Subsequent to initial recognition, the financial liabilities are measured in accordance with the following:

1. Financial liabilities classified as other liabilities are initially recognized at fair value net of any transaction costs. After initial recognition, other liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, loan from shareholders, deferred government grants and license fee payable are classified as other liabilities. Accounts payable and accrued liability amounts are unsecured and are usually paid within 30 days of recognition.
2. Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized through the net income / loss. At March 31, 2017, and March 31, 2016, the Company had not classified any financial liabilities as fair value through profit or loss.

l) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid in short-term cash bonuses if the Company expects to pay these amounts as approved by the Board of Directors as a result of past services provided by the employee and the obligation can be estimated reliably.

3. Key sources of estimation uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below:

3. Key sources of estimation uncertainty (continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Significant management judgment is necessary. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred taxes

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

Valuation of stock-based compensation and warrants

Management measures the costs for stock-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate, future employee turnover rates, future exercise behaviours and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of stock-based compensation and warrants.

Intangible assets

The Company estimates the useful lives of intangible assets from the date they are available for use in the manner intended by management and periodically reviews the useful lives to reflect management's intent about developing and commercializing the assets.

Functional currency

Management considers the determination of the functional currency of the Company a significant judgment. Management has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and considered various factors including the currency of historical and future expenditures and the currency in which funds from financing activities are generated. A Company's functional currency is only changed when there is a material change in the underlying transactions, events and conditions.

4. Accounting Standards issued for adoption in future periods

The following IFRS pronouncements have been issued but are not yet effective:

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 Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.

4. Accounting Standards issued for adoption in future periods (continued)

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 is reviewing the standard to determine the impact that the adoption of this standard may have on its consolidated financial statements.

5. Qualifying Transaction

As described in Note 1, on February 28, 2017, the Company and MTI completed a qualifying transaction, whereby, among other matters, the security holders of the Company exchanged all of their securities of MTI for like securities of the Company on a one for one basis. This exchange took place after the consolidation of A2's outstanding shares on a one for 14 basis which is described in Note 1. All stock options, warrants, and other securities convertible into common shares of MTI and Medicenna were exchanged for stock options, warrants or other securities convertible into common shares of the Company at the same exercise price and on the same ratio.

The Transaction constitutes a reverse takeover by MTI of Medicenna, a non-operating public enterprise. Medicenna, being an accounting acquiree, did not meet the definition of a business under IFRS 3, Business Combinations, and therefore the Transaction did not qualify as a business combination. MTI is deemed to have issued equity to the holders of the equity interest of Medicenna. Consequently, the Transaction is accounted for as a continuation of the consolidated financial statements of MTI, together with a deemed issuance on March 1, 2017 of common shares and options by the resulting company for the net assets and listing status of Medicenna accounted for in accordance with IFRS 2, Share-based Payment. The identifiable assets and liabilities of Medicenna are recognized at fair value at the acquisition date, with the excess of the fair value of the equity interest over the fair value of the net assets issued charged to the consolidated statements of operations as listing expense. The fair value of common shares issued includes the fair value of 14,500 common shares issued to the agent in connection with the Transaction.

The comparative figures that are presented in the consolidated financial statements are those of MTI. The consolidated statements of loss and comprehensive loss include the full results of MTI for the period from April 1, 2016 to March 1, 2017.

Net assets of A2:	**March 1, 2017**
Cash	$ 608,530
Accounts payable and accrued liabilities	(5,909)
	602,621
Total consideration	2,387,035
Listing expense	$ **1,784,414**
Consideration comprised of:	
Fair value of common shares	$ 2,171,856
Fair value of options	215,179
	$ 2,387,035

The fair value of the common shares of A2 of $2,171,856 was determined by multiplying the outstanding A2 common shares at the date of the Transaction, 1,085,928, by the fair value of the shares, $2.00. The transaction was measured at the fair value of the shares that MTI would have had to issue to shareholders of A2 to give shareholders of A2 the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of MTI acquiring A2. The fair value of the common

5. Qualifying Transaction (continued)

shares was determined based on the MTI share value and is considered as a significant estimate and judgement.

A listing fee of $1,784,414 has been charged to profit or loss as a listing expense to reflect the difference between the fair value of the amount paid and the fair value of the net assets received from A2 in accordance with in IFRS 2 Share-based Payments.

The fair value component related to the share options and the compensation options was determined using the Black-Scholes option pricing model using the following assumptions:

	Share Options	**Compensation Options**
Volatility	100%	100%
Expected life of options	8.25 years	4 months
Risk free interest rate	0.65%	0.65%
Dividend yield	nil	nil
Fair value per option	$1.76	$0.76
Number of options	107,143	35,714
Exercise price	$1.40	$1.40
Expiry date	July 7, 2025	July 7, 2017

6. Prepaid expenses and deposits

	2017	2016
	$	$
Prepaid expenses	**-**	15,271
Vendor deposits	**213,825**	189,347
	213,825	204,618

7. Accounts Payable and Accrued Liabilities

	2017	2016
	$	$
Trade payables	**486,786**	359,376
Accrued liabilities	**912,830**	246,162
	1,399,616	605,538

8. Loan from Shareholders

On September 21, 2015, MTI's founders and principal shareholders advanced funds and incurred costs on behalf of MTI in the amount of US$1,125,000. As at March 31, 2016 the shareholder loan was valued at $1,459,014. This shareholder loan was unsecured and interest-free. Pursuant to a directors resolution of MTI, dated June 1, 2016 this loan was re-paid to the shareholders on June 8, 2016.

9. Share Capital

Authorized
Unlimited common shares

Escrowed securities

Pursuant to the policies of the Toronto Stock Exchange Venture ("TSXV"), 14,682,858 common shares of the Company are held in escrow as at March 31, 2017.

In connection with the initial public offering of A2 and pursuant to an escrow agreement dated June 8, 2015, an aggregate of 714,285 common shares were placed in escrow.

In connection with the Transaction, and pursuant to an escrow agreement dated March 1, 2017, an additional 15,600,000 common shares held by MTI shareholders were placed into escrow.

Ten percent (10%) of the escrowed shares were released on March 3, 2017 upon receipt of the final TSXV approval in connection with the Transaction and a further fifteen percent (15%) will be releasable on each of the six month, twelve month, eighteen month, twenty-four month, thirty month and thirty-six month anniversaries of such approval in accordance with the policies of TSXV.

a) MTI Shareholders

On August 1, 2015, MTI issued 649,999 common shares valued at $98,930 in connection with two license agreements for intellectual property (note 14).

On March 1, 2017, the company completed the Transaction resulting in the issuance of 16,249,999 common shares to the former shareholders of MTI.

b) Special Warrants

Year ended March 31, 2016

As of April 1, 2015, the Company and MTI did not have any special warrants outstanding.

On March 4, 2016, MTI closed a financing by issuing 1,841,012 special warrants ("Special Warrants") at a price of $2.00 per Special Warrant for aggregate gross proceeds of $3,676,024. MTI paid the agent the aggregate amount of $346,999 (including agent's commission and expenses) and additionally paid $6,614 in other issuance costs.

As part of this financing, MTI also issued to the agent an aggregate of 147,040 broker warrants with a fair value of $183,857. The broker warrants entitled the holder to purchase MTI common shares at a price of $2.00 per share at any time up to March 4, 2018.

Year ended March 31, 2017

During the year ended March 31, 2017, MTI completed three tranches of Special Warrant financings through the issuance of 3,130,404 Special Warrants at a price per share of $2.00 for total gross proceeds of $6,260,808. In connection with these financings MTI paid broker commissions and expenses totaling $484,201 a for total net proceeds of $5,776,607. In addition, Medicenna Inc. issued 328,260 broker warrants exercisable at $2.00 per share with expiry dates ranging from April 5, 2018 to April 5, 2021 and a combined fair value of $495,735.

Immediately prior to the Transaction there were 4,971,406 Special Warrants outstanding which were converted to MTI common shares on March 1, 2017 on a one for one basis and subsequently exchanged for shares of the Company on the same day.

9. Share Capital (continued)

c) Subscription Receipts

On February 28, 2017, MTI completed a private placement of 2,000,000 subscription receipts for gross proceeds of $4,000,000. In connection with the financing MTI paid a cash commission of $274,575 (plus a $35,000 corporate finance fee) and incurred expenses (including agents expenses) of $245,471. In addition, 156,512 broker warrants were issued, exercisable at $2.00 per share at any time up to February 28, 2019 and with a fair value of $163,868.

The subscription receipts were exchanged for Medicenna common shares on a one for one basis on March 1, 2017.

d) Loss per share

Loss per common share is calculated using the weighted average number of Medicenna common shares outstanding for the year ended March 31, 2017 and 2016 calculated as follows:

	Year ended March 31, 2017	Year ended March 31, 2016
Issued common shares beginning of the year	**16,249,999**	15,600,000
Effect of A2 shares (note 5)	**88,063**	-
Effect of shares issued to MTI special warrant holders March 1st	**408,610**	-
Effect of shares issued in subscription receipts offering	**164,384**	-
Other issuances	**1,366**	396,038
Weighted average common shares for the year ended	**16,912,422**	15,996,038
Common shares issued and outstanding at end of the year	**24,313,334**	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.

10. Warrants

Year ended March 31, 2016

During the year ended March 31, 2016, as part of the Special Warrant financings, the Company issued 147,040 broker warrants valued at $183,857. The broker warrants entitled the holder to purchase MTI common shares at a price of $2.00 per share at any time up to March 4, 2018.

Additionally, MTI issued 1,288,000 warrants valued at $2,165,186 that entitle the holder to purchase MTI common shares at a price of $2.00 per share at any time until March 1, 2021. During the year ended March 31, 2016, MTI recognized $681,182 in share issuance costs as a result of this issuance of warrants. MTI recognized the remaining $1,484,004 related to issuance of these warrants during the year ended March 31, 2017.

Year ended March 31, 2017

MTI issued 328,260 broker warrants, upon completion of the various tranches of Special Warrant financings, exercisable at $2.00 per share with expiry dates ranging from April 5, 2018 and April 5, 2021 and a combined fair value of $495,735.

On January 1, 2017, MTI issued 1,379,083 incentive warrants at an exercise price of $2.00 per share which will be held in escrow until the earlier of (a) December 31, 2018 and (b) the date Medicenna attains certain research and development metrics. The Company does not anticipate that the objectives will be achieved prior to December 31, 2018 and therefore is recognizing the relevant expense over the twenty-

10. Warrants (continued)

four-month period. The fair value of the warrants is $1,894,860 and $236,858 has been recognized in the year ended March 31, 2017.

As part of the subscription receipt private placement financing, 156,512 broker warrants were issued, exercisable at $2.00 per share at any time up to February 28, 2019 and with a fair value of $163,868.

All warrants issued by MTI were exchanged for warrants with the same terms of the Company on March 1, 2017.

The estimated fair value of warrants issued was calculated using the Black-Scholes model based on the following inputs:

	2017	2016
Risk free interest rate	0.52%-0.70%	0.67%
Expected life of warrants	2-5 Years	2-5 Years
Expected annualized volatility	100-125%	125%
Dividend	-	-

Warrant continuity:

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

At March 31, 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		

11. Stock Options

As a result of the Transaction (Note 5), effective March 1, 2017, the Company adopted a new stock option plan (the Stock Option Plan). All grants of stock options to employees, officers and consultants after March 1, 2017 are made according to the Stock Option Plan. The Company may issue stock options to purchase up to a maximum of 10% of the total number of outstanding common shares, estimated at 2,431,300 options as at March 31, 2017. Options are granted with the exercise price based on the closing trading price of the Company's stock on the day prior to the grant. Options vest at various rates as determined by the Board of Directors.

As a result of the Transaction (Note 5), effective March 1, 2017, each former A2 option holder received one stock option to purchase common shares of the company for every 14 stock options they exchanged in the Transaction. As a result, 142,857 stock options were issued to former A2 option holders. These stock options have an exercise price of $1.40 per share and expire between July 7, 2017 and July 7, 2025.

During the year ended March 31, 2017, MTI granted 1,100,000 stock options to certain officers, directors and employees of the Company. The options are exercisable at $2.00 per common share with a ten-year life and vest 50% after one year, 25% after two years and 25% after three years.

During the year ended March 31, 2017 the Company granted 50,000 stock options to a consultant exercisable at $3.00 per share. The options vest in four equal tranches over a twelve-month period and have a five-year life.

Stock option transactions for the years ended March 31, 2016 and 2017 are set forth below:

	Number of options	Weighted average exercise price
Balance outstanding at March 31, 2016 and 2015	-	$ -
Granted	1,150,000	2.04
Medicenna share options (after consolidation)	142,857	1.40
Exercised	(1,200)	1.40
Balance outstaning at March 31, 2017	**1,291,657**	**$ 1.97**

The following table summarizes information about stock options outstanding at March 31, 2017:

Exercise Prices	Options Outstanding			Options Exerciseable	
	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
$ 1.40	141,657	6.32	$ 1.40	141,657	$ 1.40
$ 2.00	1,100,000	9.88	$ 2.00	-	-
$ 3.00	50,000	4.99	$ 3.00	-	-
	1,291,657	**9.30**	**$ 1.97**	**141,657**	**$ 1.40**

11. Stock Options (continued)

The estimated fair value of stock options issued was calculated using the Black-Scholes model based on the following inputs:

	2017
Exercise price	$2.00-$3.00
Grant date share price	$2.00-$3.00
Risk free interest rate	0.52%-0.70%
Expected life of options	2-5 Years
Expected volatility	85.00%
Expected dividend yield	-
Weighted average fair value of options granted during the year	$1.27

12. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash, other receivables, loan from shareholders, 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, license fee payable and the loan from shareholders 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.

12. Financial risk management (continued)

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 March 31, 2017, the Company's liabilities consist of trade and other payables 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 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 for the year and comprehensive loss of $293,000 (March 31, 2016 - $92,000).

Balances in foreign currencies are as follows:

	2017	2016
	$	$
Cash	**7,069,230**	602,179
Accounts payable and accrued liabilities	**(389,200)**	(181,175)
Deferred government grant	**(4,470,226)**	(1,114,457)
	2,209,804	(693,453)

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.

13. 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. The funding under CPRIT required the negotiation and execution of an award contract which details the expected program milestones to be achieved. On an ongoing basis, the Company must demonstrate that the expenditures are eligible using CPRIT's criteria, show proof that the

13. Government assistance (continued)

Company has 50% matching funds available and that best efforts have been made to establish substantial project related expenses within the state of Texas.

During the year ended March 31, 2016 the Company received US$2,244,130 as an advance from CPRIT. The Company recognized $1,513,894 (US$1,129,673) as an offset against eligible expenses during the year. The Company recognized the amount not offset against expenses during the year as a current liability in the amount of $1,445,562.

During the year ended March 31, 2017 the Company utilized the remaining advance balance of $1,445,562 outstanding at March 31, 2016 and additional amounts received of $484,598 (US$364,335) for reimbursement of expenses.

On February 24, 2017, the Company received an advance of US$5,000,000 from CPRIT. Of this advance $691,354 (US$529,773) was recognized as an offset against eligible expenses during the year. The Company has recognized the amount not offset against expenses during the year as a current liability in the amount of $5,949,870 (US$4,470,226).

The total amount offset against expenditures in the year ended March 31, 2017 was $2,621,517 (US$2,008,565).

14. 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.

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 March 31, 2017, 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 license royalty of $636,000 in four equal instalments over the next four years to the National Institute of Health ("NIH") which represents 1.5% of the Fair Market Value of the Company upon its liquidity event (which was the Transaction). Of this amount $159,000 is included in current liabilities as accounts payable and accrued liabilities and $477,000 is listed as license fee payable as a long term liability.

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

14. Commitments (continued)

As part of these license agreements, the Company has committed to make certain royalty payments based on net sales to Yissum Research Development Company of the Hebrew University of Jerusalem, Ltd., the NIH and Stanford.

15. Related party disclosures

(a) Key management personnel

Key management personnel, which consists of the Company's officers and directors, received the following compensation for the years ended March 31, 2017 and 2016:

	2017	2016
	$	$
Salaries and wages	**1,059,771**	672,000
Board fees	**20,750**	-
Stock option expense	**127,441**	-
	1,207,962	672,000

(b) Loan from Shareholders

As at March 31, 2017, there are no amounts outstanding to shareholders. As of March 31, 2016, the Company had an unsecured, non-interest bearing and payable on demand loan outstanding of $1,459,014 to the Company's shareholders. Pursuant to a directors resolution of the Company dated June 1, 2016, this loan was re-paid to the shareholders on June 8, 2016.

(c) Amounts payable to related parties

As at March 31, 2017, the Company had trade and other payables owing to related parties of $63,350 (2016: $112,575).

16. Income taxes

a) Provision for Income Tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
	$	$
Loss before income taxes	**(7,631,265)**	(1,334,064)
Tax rate	**26.5%**	26%
Expected tax recovery	**(2,022,000)**	(347,000)
Permanent differences	**543,000**	-
Share issue costs	**(271,000)**	-
Change in unrecognized deductible temporary difference	**1,750,000**	347,000
	-	-

16. Income taxes (continued)

b) Deferred Income Tax

	2017	2016
	$	$
Non-capital losses carry-forward	1,862,000	776,100
Property and equipment	49,000	-
Share issuance costs	273,000	-
	2,184,000	776,100
Unrecognized defered tax assets	(2,184,000)	(776,100)
	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statements of financial position are as follows:

Type	Amount	Expiry
Non-capital losses carry-forward	$ 2,300,000	2034-2037
Property and equipment	186,000	N/A
Share issuance costs	1,200,000	2038-2041

SR&ED tax credits

The Company has accrued $nil in refundable Scientific Research and Experimental Development ("SR&ED") tax credits for the year ending March 31, 2017 (2016 - $nil). The Company has research and development tax credit receivables at March 31, 2017 of nil compared with $100,000 in SR&ED tax credits receivable in the year ended March 31, 2016.

17. Components of Expenses

	2017	2016
	$	$
General and Administration Expenses		
Depreciation expense	6,487	1,435
Stock based compensation	95,581	-
Facilities and operations	248,490	75,799
Legal, professional and finance	582,842	213,844
Salaries and benefits	1,017,336	83,688
Other expenses	287,759	96,375
CPRIT grant claimed in eligible expenses (Note 13)	(553,884)	(42,885)
	1,684,611	428,256

17. Components of Expenses (continued)

	2017	2016
	$	$
Research and Development Expenses		
Chemistry, manufacturing and controls	**1,036,696**	781,996
Regulatory	**183,551**	157,009
Discovery and pre-clinical	**404,656**	67,413
Research and development warrant (Note 10)	**236,858**	-
Clinical	**2,203,930**	199,801
Salaries and benefits	**1,010,233**	593,401
Licensing, patent legal fees and royalties	**355,412**	335,780
Stock based compensation	**44,604**	-
NIH License fee (Note 14)	**636,000**	-
CPRIT grant claimed on eligible expenses (Note 13)	**(2,067,633)**	(1,471,009)
Other research and development expenses	**184,803**	107,017
	4,229,110	771,408