MEDICENNA

Consolidated financial statements of

Medicenna Therapeutics Corp.

(Expressed in Canadian Dollars)

For the years ended March 31, 2023, 2022 and 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Medicenna Therapeutics Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Medicenna Therapeutics Corp. and its subsidiaries (together, the Company) as of March 31, 2023 and 2022, and the related consolidated statements of loss and comprehensive loss, of shareholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Canada
June 26, 2023

We have served as the Company's auditor since 2020.

Medicenna Therapeutics Corp.

Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars, except for share and per share amounts)

as at

	March 31, 2023	March 31, 2022
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 2e)	**33,596**	20,535
Prepaids and deposits	**1,934**	1,548
Other receivables (Note 7)	**855**	1,308
	36,385	23,391
Intangible assets (Note 14)	**61**	65
	36,446	23,456
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**3,800**	2,621
	3,800	2,621
Warrant derivative (Note 12)	**3,160**	-
	6,960	2,621
Shareholders' Equity		
Common shares (Note 9)	**100,924**	83,671
Contributed surplus (Notes 10 and 11)	**9,486**	7,926
Accumulated other comprehensive income	**57**	171
Deficit	**(80,981)**	(70,933)
	29,486	20,835
	36,446	23,456

Approved by the Board

/s/ Albert Beraldo Director

/s/ Karen Dawes Director

The accompanying notes are an integral part of these Consolidated financial statements.

Medicenna Therapeutics Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian Dollars, except for share and per share amounts)

	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
	$	$	$
Operating expenses			
General and administration (Note 17)	**6,999**	7,757	6,525
Research and development (Note 17)	**9,304**	14,716	10,870
Total operating expenses	**16,303**	22,473	17,395
Finance income (Note 2d)	**(914)**	(69)	(314)
Transaction costs on derivative warrant liability	**652**	-	-
Change in fair value of warrant derivative (Note 12)	**(4,347)**	-	-
Foreign exchange (gain) loss	**(1,646)**	173	208
	(6,255)	104	(106)
Net loss for the year	**(10,048)**	(22,577)	(17,289)
Cumulative translation adjustment	**(114)**	(63)	(14)
Comprehensive loss for the year	**(10,162)**	(22,640)	(17,303)
Basic and diluted loss per share for the year	(0.16)	(0.42)	(0.35)
Weighted average number of common shares outstanding (Note 9)	64,736,493	54,286,671	49,661,776

The accompanying notes are an integral part of these Consolidated financial statements.

Medicenna Therapeutics Corp.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)

	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
	$	$	$
Operating activities			
Net loss for the year	**(10,048)**	(22,577)	(17,289)
Items not involving cash			
Depreciation	**4**	38	40
Stock based compensation	**1,371**	1,415	1,006
Government grant expense recoveries (Note 7)	**(748)**	(700)	-
Warrant amendment (Note 12)	**189**	-	-
Unrealized foreign exchange	**(1,072)**	121	267
Accrued interest	**(416)**	(37)	(15)
Change in fair value of warrant derivative (Note 12)	**(4,347)**	-	-
Changes in non-cash working capital			
Other receivables and deposits	**1,231**	(392)	(1,612)
Accounts payable and accrued liabilities	**1,179**	(1,452)	2,292
	(12,657)	(23,584)	(15,311)
Investing activities			
Acquisition of marketable securities	**-**	(10,000)	(10,000)
Disposition of marketable securities	**-**	20,050	15,013
	-	10,050	5,013
Financing activities			
Repayment of lease liabilities	**-**	(37)	(39)
Issuance of share capital and warrants on public offering, net of issuance costs (Note 9)	**23,912**	-	-
Issuance of share capital, net of issuance costs (Note 9)	**848**	3,509	11,411
Warrant and option exercises (Notes 10 and 11)	-	406	6,884
	24,760	3,878	18,256
Effect of foreign exchange on cash	**958**	(184)	(281)
Net increase (decrease) in cash	**13,061**	(9,840)	7,677
Cash, beginning of year	**20,535**	30,375	22,698
Cash, end of year	**33,596**	20,535	30,375
Other non-cash transactions			
Broker warrants issued	**$ -**	$ -	$ 69

The accompanying notes are an integral part of these Consolidated financial statements.

Medicenna Therapeutics Corp.

Consolidated Statements of Changes in Shareholders' Equity (Expressed in thousands Canadian Dollars, except for share and per share amounts)

	Common shares issued and outstanding		Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number	Amount				
		$	$	$	$	$
Balance, March 31, 2020	**46,799,828**	**56,578**	**10,390**	**248**	**(31,067)**	**36,149**
Stock based compensation	-	-	1,006	-	-	1,006
Warrant and option exercises	3,655,976	11,667	(4,785)	-	-	6,882
Issued on April 2020 overallotment	1,693,548	4,783	69	-	-	4,852
Issued on ATM financing	1,398,357	6,559	-	-	-	6,559
Cumulative translation adjustment	-	-	-	(14)	-	(14)
Net loss for the year	-	-	-	-	(17,289)	(17,289)
Balance, March 31, 2021	**53,547,709**	**79,587**	**6,680**	**234**	**(48,356)**	**38,145**
Balance, March 31, 2021	**53,547,709**	**79,587**	**6,680**	**234**	**(48,356)**	**38,145**
Stock based compensation	-	-	1,415	-	-	1,415
Warrant and option exercises	351,170	575	(169)	-	-	406
Issued on April 2020 overallotment	1,748,600	3,509	-	-	-	3,509
Cumulative translation adjustment	-	-	-	(63)	-	(63)
Net loss for the year	-	-	-	-	(22,577)	(22,577)
Balance, March 31, 2022	**55,647,479**	**83,671**	**7,926**	**171**	**(70,933)**	**20,835**
Balance, March 31, 2022	**55,647,479**	**83,671**	**7,926**	**171**	**(70,933)**	**20,835**
Stock based compensation	-	-	1,371	-	-	1,371
Issued on ATM financing (Note 9)	656,656	848	-	-	-	848
Issued pursuant to public offering, net of warrant derivative (Note 9)	13,333,334	16,405	-	-	-	16,405
Warrant amendment (Note 12)	-	-	189	-	-	189
Cumulative translation adjustment	-	-	-	(114)	-	(114)
Net loss for the year	-	-	-	-	(10,048)	(10,048)
Balance, March 31, 2023	**69,637,469**	**100,924**	**9,486**	**57**	**(80,981)**	**29,486**

The accompanying notes are an integral part of these Consolidated financial statements.

1. Nature of business and liquidity

The Company's principal business activity is the development and commercialization of IL-2, IL-4 and IL-13 Superkines and Empowered Superkines for the treatment of cancer, inflammation and immune-mediated diseases. Medicenna has four wholly owned subsidiaries, Medicenna Therapeutics Inc. (“MTI”) (British Columbia), Medicenna Biopharma Inc. (“MBI”) (Delaware), Medicenna Biopharma Inc. (“MBIBC”) (British Columbia) and Medicenna Australia PTY Ltd (“MAL”) (Australia). Medicenna is traded on both the Toronto Stock Exchange and the Nasdaq Capital Market (“Nasdaq”) under the symbol ‘’MDNA”.

As at March 31, 2023, the head and registered office is located at 2 Bloor St W, 7th Floor, Toronto, Ontario, Canada.

Since inception, the Company has devoted its resources to funding 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 $81.0 million as of March 31, 2023. With current finance income only consisting of interest earned on excess cash, cash equivalents and marketable securities, losses are expected to continue while the Company’s R&D programs are advanced.

We currently do not earn any revenues from our product 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 for bizaxofusp (formerly MDNA55), MDNA11 and the BiSKITs™ platform and the commercialization of bizaxofusp 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. There is no guarantee of future financing and that our research and development activities associated with bizaxofusp, MDNA11 and the BiSKITs platform will be successful, which may require a change in plans of the Company. We have no current sources of revenues from strategic partners.

Management has forecasted that the Company’s current level of cash will be sufficient to execute its current planned expenditures through Q3 of calendar 2024.

2. Basis of presentation and significant accounting policies

a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) (“IFRS”) and the Interpretations of the International Financial Reporting and Interpretations Committee (“IFRIC”).

The Consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on June 26, 2023.

b) *Principles of Consolidation*

These consolidated financial statements include the accounts of the Company and its wholly owned Subsidiaries MTI, MBI, MAL, and MBIBC (British Columbia, Inactive). Subsidiaries are fully consolidated from the date at which control is determined to have occurred and are deconsolidated from the date that the Company no longer controls the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Intercompany transactions, balances, and gains and losses on transactions between subsidiaries are eliminated.

c) *Functional and presentation currency*

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

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

d) Foreign currency translation

Foreign currency translation of monetary assets and liabilities, denominated in currencies other than the Corporation's functional currency, are converted at the rate of exchange in effect at the consolidated statements of financial position date. Revenue and expense items are translated at the rate of exchange in effect at the transaction date. Translation gains or losses are included in determining income or loss for the year.

e) Cash and cash equivalents and marketable securities

Cash and cash equivalents
Cash equivalents include guaranteed investment certificates (March 31, 2023 – $32.8 million, March 31, 2022 - $5.0 million) with a maturity of 90 days or less and are readily redeemable for cash. The Company has classified its cash and cash equivalents at fair value through profit or loss.

Marketable securities
Marketable securities consist of guaranteed investment certificates with a maturity of greater than 90 days and less than one year. The Company has classified its marketable securities at fair value through profit or loss.

f) 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.

g) 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.

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

h) 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 costs 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 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.

i) 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.

j) 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 and warrants have not been included in this calculation as it would be anti-dilutive.

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

k) 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:

Computer equipment	2 years

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 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.

l) Warrant derivative

When a warrant exercise price is denominated in a currency which differs from the Company's functional currency, the financial instruments are treated as liabilities and measured at fair value. The fair value of the warrants are calculated using the black-scholes model. The change in the liability has been recorded in the consolidated statement of loss and comprehensive loss.

m) 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 or a higher price as determined by the Board of Directors. Vesting is provided for at the discretion of the Board of Directors and the expiration of options is to be not 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 Black Scholes 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.

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

n) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded to contributed surplus.

o) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss and comprehensive loss.

The Company has implemented the following classifications:

- Cash, cash equivalents and marketable securities are classified at fair value through profit or loss.
- Other receivables, prepaid and deposits are classified as amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities are classified as other amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

p) Impairment of financial assets

The Company applies the simplified method of the expected credit loss model required under IFRS 9. Under this method, the Company estimates a lifetime expected loss allowance for all receivables. Receivables are written off when there is no reasonable expectation of recovery.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

q) 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.

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

r) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

s) Research and development tax credits

Research and development tax credits Refundable investment tax credits relating to Research and Development Tax Incentive ("RDTI") are recorded in the accounts in the fiscal period in which the qualifying expenditures are incurred provided there is reasonable assurance that the tax credits will be realized. Refundable investment tax credits, in connection with RDTI activities, are accounted for using the cost reduction method and included in government assistance on the statements of loss and comprehensive loss. Amounts recorded for refundable investment tax credits are calculated based on the expected eligibility and tax treatment of qualifying RDTI expenditures recorded in the Company's consolidated financial statements.

t) COVID-19 Pandemic

The continued evolution of COVID-19 and its variants, as well as periodic spikes in infection rates and local outbreaks, in spite of safety measures or vaccinations, could cause disruptions to our operations or those of third parties with whom we engage. The COVID-19 pandemic has led to global supply chain challenges, which could adversely impact our ability to conduct business in the manner and timelines presently planned. As new variants of the virus appear, especially variants that are more easily spread, cause more serious outcomes, or are resistant to existing vaccines, new health orders and safety protocols could further impact our operations. The Company will continue to monitor developments of the pandemic and continuously assess its potential further impact on its operations to prevent any disruptions to the conduct of its business and clinical trials. In the event of a prolonged continuation of the pandemic, it is not clear what the potential impact may be on the Company's business, financial position and financial performance.

3. New standards and interpretations not yet adopted

In January 2020, the IASB issued amendments to Presentation of financial statements ("IAS 1") to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Company does not anticipate adoption of this standard to have a material impact on the consolidated financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Company.

4. Key sources of estimation uncertainty and judgement

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:

4. Key sources of estimation uncertainty and judgement cont'd

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 behaviors 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.

Estimate of prepaid expenses and accruals for research and development expenses

The Company records an estimate of accrued expenses for research and development. The period-end process involves assessing the status of research and development activities by analyzing open purchase orders and having discussions with the Company's personnel and service providers. This information is used to identify services that have been performed and estimate the level of service performed on the Company's behalf and the associated cost incurred for the service when the Company has not yet been invoiced or otherwise notified of the actual cost.

For research and development activities, the majority of service providers invoice the Company in arrears for services performed, either on a pre-determined schedule or when contractual milestones are met; however, some require advanced payments, such that payments to the service providers exceed the level of services provided. This impacts the amount of accrued expenses and prepaid balances related to research and developments costs as of period end.

The Company estimates its accrued expenses and prepaid expenses as of each statement of financial position date in its financial statements based on facts and circumstances known at that time. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust research and development expenses in subsequent periods.

Valuation of warrant derivative

Estimating the fair value of the warrant derivative at initial measurement, at each exercise date and at each reporting period requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life, share price volatility, and dividend yield, and making assumptions about them. Changes in the inputs and assumptions used affect the fair value estimate of the warrant derivative.

5. Capital disclosures

The Company's objectives, when managing capital, are to safeguard cash and cash equivalents 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.

6. Financial risk management

(a) Fair value

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

6. Financial risk management cont'd

(a) Fair value

Classification of financial instruments

Financial instruments measured at fair value on the statements 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 and cash equivalents and marketable securities are 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 income at each year-end.

Other receivables, prepaids and deposits are measured at amortized cost less impairments.

Accounts payable and accrued liabilities are measured at amortized cost.

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

(b) Credit risk

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

The Company manages credit risk associated with its cash and cash equivalents and marketable securities by maintaining minimum standards of R1-med or A-high investments.

(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 and cash equivalents. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. As at March 31, 2023, the Company's liabilities consist of accounts payable and accrued liabilities that have contracted maturities of less than one year.

(e) Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk from employee costs as well as the purchase of goods and services primarily in the United States and cash and cash equivalent 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%

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

6. Financial risk management cont'd

(e) Currency risk (cont'd)

depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease in loss and comprehensive loss for the year ended March 31, 2023 of $2.3 million (March 31, 2022 - $0.6 million).

Balances in US dollars are as follows:

	March 31, 2023	March 31, 2022
	$	$
Cash and cash equivalents	**18,250**	5,456
Accounts payable and accrued liabilities	**(1,598)**	(1,269)
	16,652	4,187

7. Other receivables

	March 31, 2023	March 31, 2022
	$	$
Investment tax credits receivable	**748**	700
Sales tax receivable	**107**	608
	855	1,308

Refundable Tax

The Company is entitled to receive $0.7 million through our Australian R&D incentive program relating to the year ended March 31, 2023. The amount receivable is recorded as a reduction in research and development expenses in the year ended March 31, 2023.

8. Accounts payable and accrued liabilities

	March 31, 2023	March 31, 2022
	$	$
Trade payables	**1,617**	1,672
Accrued liabilities	**2,183**	949
	3,800	2,621

9. Share capital

Authorized

Unlimited common shares

Equity Issuances

August 2022 Public Offering

On August 11, 2022, pursuant to an underwritten public offering, 13,333,334 units were sold at a purchase price of US$1.50 per unit for gross proceeds of US$20.0 million ($25.6 million). Each unit included one common share with a fair value of US$1.06 and one common share purchase warrant with a fair value of US$0.44 (see Note 12). Each common share purchase warrant entitles the holder to purchase one common

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

9. Share capital cont'd

share at an exercise price of US$1.85 until August 9, 2027. We incurred transaction costs of $2.2 million (US1.7 million) of which $1.6 million (US$1.2 million) were allocated to share issue costs and $0.6 million (US$0.5 million) were allocated to operating expenses, based on their relative fair values.

April 2020 Financing

On April 15, 2020, the Company announced the full exercise of the overallotment option, issuing an additional 1,693,548 common shares at $3.10 per share for additional proceeds of $5.3 million. The Company paid commission to the agents totaling $368 thousand, share issuance costs of $32 thousand and issued 118,723 warrants to the agents exercisable into one common share of the Company at an exercise price of $3.10 expiring on March 17, 2022. The fair value of the warrants issued was determined to be $69 thousand.

At-The-Market Facilities

On December 30, 2020, the Company entered into a sales agreement with SVB Leerink acting as a sales agent, pursuant to which the Company may, from time to time sell, through at-the-market ("2020 ATM") on the NASDAQ such number of common shares as would have an aggregate offering price of up to US$25.0 million (the 2020 ATM Offering), which expired December 30, 2022.

During the year ended March 31, 2023, the Company issued 656,656 common shares (March 31, 2022 – 1,748,600) for gross proceeds of US$0.8 million (March 31, 2022 - US$3.1 million) at an average price of US$1.20 (March 31, 2022 - US$1.77) on the 2020 ATM Offering. The Company received; net of commissions US$0.8 million (March 31, 2022 - US$2.8 million). In total, we incurred share issuance costs (including commissions) of US$0.1 million (March 31, 2022 - US$0.1 million).

On February 17, 2023, the Company entered into a sales agreement with Oppenheimer & Co. Inc. acting as a sales agent, pursuant to which the Company may, from time to time sell, through at-the-market ("2023 ATM") on the NASDAQ such number of common shares as would have an aggregate offering price of up to US10.0 million (the 2023 ATM Offering). During the year ended March 31, 2023, the Company has issued no common shares on the 2023 ATM Offering.

Calculation of loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding. For the year ended March 31, 2022, 2021 and 2020, the calculation was as follows:

	2023	2022	2021
Common shares issued and outstanding, beginning of year	**55,647,479**	53,547,709	46,799,828
Shares issued in March/April 2020 financing	**-**	-	1,623,950
Shares issued on 2022 Public Offering	**8,474,886**	-	-
ATM issuances	**614,128**	515,693	182,226
Effect of warrants and options exercised	**-**	223,269	1,055,772
Weighted average common shares issued and outstanding, end of year	**64,736,493**	54,286,671	49,661,776
Common shares issued and outstanding, end of year	**69,637,469**	55,647,479	53,547,709

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.

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

10. Warrants

Warrant continuity:

	Number of Warrants	Weighted average exercise price
Balance outstanding at March 31, 2020	**7,315,711**	**$ 1.86**
Broker warrants issued in overallotment	118,548	3.10
Warrants exercised during the year	(3,415,266)	1.96
Warrants outstanding at March 31, 2021	**4,018,993**	**$ 1.82**
Warrants expired during the year	(788,161)	3.07
Warrants exercised during the year	(266,290)	1.53
Warrants outstanding at March 31, 2022	**2,964,542**	**$ 1.51**
Common share purchase warrants issued in the 2022 Public Offering	13,333,334	**2.39**
Warrants expired during the year	(112,490)	**1.75**
Warrants outstanding at March 31, 2023	**16,185,386**	**$ 2.23**

There were no warrants exercised during the year ended March 31, 2023.

At March 31, 2023, warrants were outstanding and exercisable, enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
	$	
1,549,052	1.75	July 17, 2023
1,303,000	1.20	December 31, 2023
13,333,334	US 1.85	August 9, 2027
16,185,386		

Warrants outstanding and exercisable, totaling 1,549,052 due to expire on October 17, 2022, and issued on October 17, 2019, as part of a public offering of an aggregate of 5,307,693 units of the Company, were extended to July 17, 2023. In total, we incurred non-cash financing fees of $0.2 million relating to these warrants during the year ended March 31, 2023.

11. Stock options

Year ended March 31, 2023

During the year ended March 31, 2023, the Company granted 1,290,713 stock options at an average exercise price of $1.44 per share. 997,608 of the options were granted to the Company's officers and employees and vest 1/3 after one year, 1/3 after two years and 1/3 after three years, and have a ten-year life; and 293,105 options were granted to Directors of the Company at a price of $1.45 and vest 50% upon issuance and 50% after 1 year and have a five-year life.

Year ended March 31, 2022

During the year ended March 31, 2022, the Company granted 1,097,056 stock options at an average exercise price of $3.55 per share. 812,706 of the options were granted to the Company's officers and employees and vest 1/3 after one year, 1/3 after two years and 1/3 after three years, and have a ten-year life; and 20,000 stock options granted to a consultant vest 1/3 after one year, 1/3 after two years and 1/3 after three years, and have a ten-year life. 264,350 options were granted to Directors of the Company at a price of $2.72 and vest 50% upon issuance and 50% after 1 year and have a five-year life.

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

11. Stock options cont'd

Year ended March 31, 2021

During the year ended March 31, 2021, the Company granted 450,084 stock options at an average exercise price of $5.14 per share. 212,464 of the options were granted to the Company's officers and employees and vest 1/3 after one year, 1/3 after two years and 1/3 after three years, and have a ten-year life; 62,620 stock options granted to the Company's Board of Directors vest 50% immediately and 50% after one year and have a five-year life; 75,000 stock options granted to a consultant vest monthly over 48 months and have a 10-year life; and 100,000 stock options granted to a consultant vest monthly over 16 months and have a 5-year life.

Stock option transactions for the years ended March 31, 2023, 2022, and 2021 are set forth below:

	Number of options	Weighted average exercise price
Balance outstanding at March 31, 2020	**4,130,000**	**$ 1.56**
Granted	450,084	5.14
Exercised	(240,710)	1.29
Forfeited	(184,290)	1.67
Balance outstanding at March 31, 2021	**4,155,084**	**$ 1.96**
Granted	1,097,056	3.55
Exercised	(84,880)	1.47
Forfeited	(702,620)	4.23
Balance outstanding at March 31, 2022	**4,464,640**	**$ 2.00**
Granted	1,290,713	1.44
Expired	(100,000)	2.88
Forfeited	(45,000)	3.86
Balance outstanding at March 31, 2023	**5,610,353**	**1.84**

The following table summarizes information about stock options outstanding at March 31, 2023:

	Options Outstanding			**Options Exercisable**	
Exercise Prices	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
$		**Years**	**$**		**$**
1.00-1.99	3,230,713	6.48	1.27	2,101,553	1.19
2.00-2.99	1,579,000	4.10	2.03	1,579,000	2.03
3.00-5.19	800,640	4.43	3.76	468,589	3.96
	5,610,353	**5.52**	**1.84**	**4,149,142**	**1.90**

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

	March 31, 2023	March 31, 2022	March 31, 2021
Exercise price	$1.36-1.45	$2.05-4.85	$5.11-5.19
Grant date share price	$1.36-1.45	$2.05-4.85	$5.11-5.19
Risk free interest rate	5.10%	1.0%	1.0%
Expected life of options	5 years	5 years	5 years
Expected volatility	90%	90%	103%
Expected dividend yield	-	-	-
Forfeiture rate	0% - 15%	0% - 15%	0% - 15%
Weighted average fair value of options granted durin(the year	$1.04	$2.58	$4.01

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

12. Warrant Derivative

On August 11, 2022, pursuant to an underwritten public offering, 13,333,334 units were sold at a purchase price of US$1.50 per unit for gross proceeds of US$20.0 million ($25.6 million). Each unit included one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US$1.85 until August 9, 2027. We

incurred transaction costs of $2.2 million (US$1.7 million) of which $1.6 million (US$1.2 million) were allocated to share issue costs and $0.6 million (US$0.5 million) were allocated to operating expenses, based on their relative fair values.

Under IFRS 9 Financial Instruments and IAS 32 Financial Instruments: Presentation, warrants with an exercise price denominated in a currency that differs from an entity's functional currency are treated as a derivative measured at fair value with subsequent changes in fair value accounted for through the consolidated statement of loss. Our warrants with an exercise price of US$1.85 meet this requirement and we have presented the value of these warrants as a non-current liability on the consolidated statement of financial position. Upon exercise, the recorded liability will be included in our share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the consolidated statement of loss. There is no cash flow impact as a result of the accounting treatment for changes in the fair value of the warrant derivative or when warrants expire unexercised.

Estimating the fair value for our warrant derivative requires determining the most appropriate valuation model which is dependent on the terms and conditions of the issuance. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the warrant derivative, expected share price volatility and expected dividend yield and making assumptions about them.

A reconciliation of the change in fair value of the warrant derivative is as follows:

	Fair value of Warrant Derivatives
	$
Balance, August 11, 2022	**7,507**
Change in fair value of warrant derivative	(4,818)
Foreign exchange loss	471
Balance, March 31, 2023	**3,160**

We use historical data to estimate the expected dividend yield and expected volatility of our stock in determining the fair value of the warrants. The risk-free interest rate is based on U.S. Department of Treasury benchmark treasury yield rates in effect at the time of valuation and the expected life of the warrants represents the estimated length of time the warrants are expected to remain outstanding.

The following table summarizes the key assumptions used in the Black-Scholes valuation of the warrant derivative at March 31, 2023:

	March 31, 2023	**August 11, 2022**
Fair value of warrants	$0.24	$0.56
Underlying share price	$0.88	$1.33
Risk free interest rate	5.10%	3.15%
Expected hold period to exercise	2.50 years	3.0 years
Expected share price volatility	85%	85%
Expected dividend yield	Nil	Nil

The following table summarizes our outstanding warrant derivative for the year ended ending March 31, 2023:

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

12. Warrant Derivative cont'd

Exercise Price	Outstanding Beginning of the Period	Granted during the Period	Outstanding, End of the Period	Weighted Average Remaining Contractual Life (years)
US$1.85	-	13,333,334	13,333,334	4.36

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 was eligible to receive up to US$14.1 million on eligible expenditures over a three-year period related to the development of the Company's phase 2b clinical program for bizaxofusp. As of March 31, 2022, the grant with CPRIT was complete.

Of the US$14.1 million grant approved by CPRIT, Medicenna had received US$14.1 million from CPRIT at March 31, 2022.

Under the terms of the grant, the Company is required to pay a royalty to CPRIT, comprised of 3-5% of revenues on net sales of bizaxofusp until aggregate royalty payments equal 400% of the grant funds received at which time the ongoing royalty will be 0.5% of revenues. At this time the royalty is not probable and therefore no liability has been recorded. In addition, the Company must maintain a presence in Texas for three years following completion of the grant.

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 $0.1 million to Stanford and affiliated inventors. The value of these shares has been recorded as an intangible asset that is being amortized over the life of the underlying patents. As at March 31, 2023, the Company's intangible assets have a remaining capitalized net book value of $61 thousand (March 31, 2022 - $65 thousand).

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, 2023, the Company is obligated to pay the following:

- Given the current development plans and expected timelines of the Company it is assumed that project milestones of US$0.3 million will be due in the next five years.
- Project milestone payments, assuming continued success in the development programs, of uncertain timing totaling US$2.0 million and an additional US$2.0 million in sales milestones.

Contractual obligations	Less than 1 year	1-3 years	3-5 years	Total
	$	$	$	$
Patent licensing costs	474	1,069	-	1,543

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

15. Related party disclosures

(a) Key management personnel

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

	2023	2022	2021
	$	$	$
Salaries and wages	**1,059**	1,555	1,501
Board fees	**322**	285	230
Stock option expense	**1,181**	886	797
	2,562	2,726	2,528

(b) Amounts payable to related parties

As at March 31, 2023, the Company had trade and other payables in the normal course of business, owing to directors and officers of $0.1 million, (2022 - $0.1 million) related to board fees and accrued vacation.

16. Income taxes

a) Provision for Income Tax

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

	2023	2022	2021
	$	$	$
Loss before income taxes	**(10,048)**	(22,577)	(17,289)
Tax rate	**27.0%**	27.0%	27.0%
Expected tax recovery	**(2,713)**	(6,095)	(4,668)
Change in statutory rates and foreign exchange rates	**(319)**	29	(288)
Permanent differences	**(853)**	383	272
Share issuance costs	**(67)**	(67)	(153)
Change in unrecognized deductible temporary difference	**3,952**	5,750	4,837
Total income tax expense (recovery)	**-**	-	- -

b) Deferred Income Tax

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2023	2022	2021
	$	$	$
Non-capital losses carry-forward	**20,768**	16,968	10,971
Property and equipment	**50**	50	50
Share issuance costs	**732**	846	1,093
	21,550	17,864	12,114
Unrecognized deferred tax asset	**(21,550)**	(17,864)	(12,114)
Net deferred tax assets	**-**	-	-

(Tabular amounts expressed in thousands of Canadian Dollars, except for share and per share amounts)

16. Income taxes cont'd

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	$ 77,813,000	2037-2043
Property and equipment	186,000	N/A
Share issuance costs	2,713,000	2041-2044

17. Components of Expenses

	2023	2022	2021
	$	$	$
General and Administration Expenses			
Depreciation expense	**5**	37	40
Stock based compensation	**866**	949	614
Facilities and operations	**582**	384	304
Public company expenses	**4,603**	5,424	4,677
Salaries and benefits	**943**	963	890
	6,999	7,757	6,525

	2023	2022	2021
	$	$	$
Research and Development Expenses			
Chemistry, manufacturing, and controls	**906**	6,841	2,356
Regulatory	**196**	502	801
Discovery and pre-clinical	**1,274**	3,441	2,896
Clinical	**3,554**	2,322	1,225
Salaries and benefits	**2,266**	2,759	1,413
Licensing, patent, legal fees and royalties	**1,295**	733	1,620
Stock based compensation	**505**	467	391
CPRIT grant claimed in eligible expenses (Note 13)	**-**	(1,753)	-
Australian R&D refund claimed in eligible expenses (Note 7)	**(748)**	(700)	-
Other research and development expenses	**56**	104	168
	9,304	14,716	10,870

18. Subsequent events

On April 25, 2023, the Company received an Extension notice from the Nasdaq Stock Market LLC granting the Company's request for a 180-day extension to regain compliance with the minimum bid price requirement ("Minimum Bid Requirement") of US$1.00 per share under the Nasdaq Listing Rule 5450(a)(1). The Company was first notified by Nasdaq of its failure to comply with the Minimum Bid Requirement on October 25, 2022, and was given until April 24, 2023 to regain compliance. The Company now has until October 23, 2023 to meet the requirement. The Extension Notice has no immediate effect on the listing or trading of the Company's common stock on Nasdaq, and the Company's operations are not affected by the receipt of the Extension Notice.