Condensed consolidated interim financial statements of

Medicenna Therapeutics Corp.

(Expressed in Canadian Dollars)

For the three months ended June 30, 2018

Medicenna Therapeutics Corp.

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

as at

	June 30, 2018	March 31, 2018
	$	$
Assets		
Current assets		
Cash	**1,589,262**	3,938,734
Prepaids and deposits	**191,605**	187,108
Government grant receivable (Note 10)	**1,601,447**	-
Other receivables	**175,847**	160,716
	3,558,161	4,286,558
Intangible assets	**84,915**	86,152
Fixed assets	**1,404**	1,872
	3,644,480	4,374,582
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**1,663,775**	1,875,786
	1,663,775	1,875,786
License fee payable	**336,971**	336,971
	2,000,746	2,212,757
Shareholders' Equity		
Common shares (Note 7)	**14,302,195**	14,302,195
Contributed surplus (Notes 8 and 9)	**6,283,271**	5,790,341
Accumulated other comprehensive income	**178,105**	150,909
Deficit	**(19,119,837)**	(18,081,620)
	1,643,734	2,161,825
	3,644,480	4,374,582

Nature of business (Note 1)

Approved by the Board

/s/ Albert Beraldo Director

/s/ Chandra Panchal Director

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

Medicenna Therapeutics Corp.

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

	3 months ended June 30, 2018	3 months ended June 30, 2017
	$	$
Operating expenses		
General and administration (Note 13)	**414,551**	438,091
Research and development (Note 13)	**634,973**	1,804,790
Total operating expenses	**1,049,524**	2,242,881
Interest (income) expense	**(92)**	(2,300)
Foreign exchange loss (gain)	**(11,215)**	15,091
	(11,307)	12,791
Net loss for the period	**(1,038,217)**	(2,255,672)
Cummulative translation adjustment	**27,196**	(44,931)
Net loss and comprehensive loss for the period	**(1,011,021)**	(2,300,603)
Basic and diluted loss per share	**(0.04)**	(0.09)
Weighted average number of common shares outstanding (Note 7)	**24,578,137**	24,314,009

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

Medicenna Therapeutics Corp.

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

	Three months ended June 30, 2018	Three months ended June 30, 2017
	$	$
Operating activities		
Net loss for the period	**(1,038,217)**	(2,255,672)
Items not involving cash		
Depreciation	**1,705**	4,590
Stock based compensation	**256,072**	236,294
R&D warrant expense	**236,858**	236,858
Government grant expense recoveries	**(1,601,447)**	(538,318)
Unrealized foreign exchange	**(1,983)**	77,030
Changes in non-cash working capital		
Other receivables and deposits	**(19,628)**	6,565
Accounts payable and accrued liabilities	**(200,298)**	433,394
	(2,366,938)	(1,799,259)
Financing activities		
Warrant and option exercises	**-**	43,000
	-	43,000
Effect of foreign exchange on cash	**17,465**	(249,964)
Net increase (decrease) in cash	**(2,349,472)**	(2,006,223)
Cash, beginning of period	**3,938,734**	14,038,115
Cash, end of period	**1,589,262**	12,031,892

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

Medicenna Therapeutics Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Common shares issued and outstanding		Special Warrants	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number	Amount					
		$	$	$	$	$	$
Balance, March 31, 2017	**24,313,334**	**13,463,734**	**-**	**3,594,945**	**214,230**	**(10,616,168)**	**6,656,741**
Stock based compensation	-	-	-	1,617,032	-	-	1,617,032
Research and development w arrant amortization	-	-	-	947,432	-	-	947,432
Warrant and option exercises	264,803	838,461	-	(369,068)	-	-	469,393
Net loss and comprehensive loss	-	-	-	-	(63,321)	(7,465,452)	(7,528,773)
Balance, March 31, 2018	**24,578,137**	**14,302,195**	**-**	**5,790,341**	**150,909**	**(18,081,620)**	**2,161,825**
Stock based compensation	-	-	-	256,072	-	-	256,072
Research and development w arrant amortization	-	-	-	236,858	-	-	236,858
Net loss and comprehensive loss	-	-	-	-	27,196	(1,038,217)	(1,011,021)
Balance, June 30, 2018	**24,578,137 -**	**14,302,195 -**	**-**	**6,283,271**	**178,105**	**(19,119,837)**	**1,643,734**

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

1. Nature of business

Medicenna Therapeutics Corp. (“Medicenna” or the "Company") was incorporated as A2 Acquisition Corp. (“A2”) under the Alberta Business Corporations Act on February 2, 2015 and was classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange") Corporate Finance Manual. On March 1, 2017, the Company completed a qualifying transaction with Medicenna Therapeutics Inc. (“MTI.”) and the name of the Company was changed to Medicenna Therapeutics Corp. (the “Transaction”). MTI has been identified for accounting purposes as the acquirer, and accordingly the entity is considered to be a continuation of MTI and the net assets of A2 at the date of the Transaction are deemed to have been acquired by MTI. These consolidated financial statements include the results of operations of Medicenna from March 1, 2017. On August 2, 2017 Medicenna graduated to the main board of the Toronto Stock Exchange and on October 18, 2017 Medicenna was listed on the OTCQX International (“OTCQX”). On November 13, 2017, Medicenna continued under the Canadian Business Corporations Act.

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

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

As at June 30, 2018, the head office is located at 200-1920 Yonge Street, Toronto, Ontario, Canada, and the registered office is located at 181 Bay Street, Suite 2100, Toronto, Ontario, Canada.

2. Basis of presentation and significant accounting policies

a) *Statement of compliance*

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

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

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on August 10, 2018.

b) *Going Concern*

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

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

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

c) *Functional and presentation currency*

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

d) *Significant accounting judgements, estimates and assumptions*

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

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

The accompanying unaudited condensed consolidated interim financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended March 31, 2018. They do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed consolidated interim financial statements. Operating results for the three month period ended June 30, 2018, are not necessarily indicative of the results that may be expected for the full year ended March 31, 2019. For further information, see the Company's audited consolidated financial statements including notes thereto for the year ended March 31, 2018.

e) *New accounting policy*

The following IFRS pronouncement has been adopted during 2019:

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

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

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

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

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

3. Accounting Standards issued for adoption in future periods

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

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

4. Capital disclosures

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

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

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

5. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash, other receivables, accounts payable and accrued liabilities, 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.

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

5. Financial risk management cont'd

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

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

(b) *Credit risk*

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

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

(c) *Interest rate risk*

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

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles all of its financial obligations out of cash. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. As at June 30, 2018, the Company's liabilities consist of accounts payable and accrued liabilities that have contracted maturities of less than one year.

(e) *Currency risk*

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk from employee costs as well as the purchase of goods and services primarily in the United States and cash balances held in foreign currencies. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease in loss and comprehensive loss for the three months ended June 30, 2018 of $132,000 (March 31, 2018 - $88,000).

Balances in US dollars are as follows:

	June 30, 2018	March 31, 2018
	$	$
Cash	**892,817**	2,115,262
Accounts payable and accrued liabilities	**(1,107,603)**	(1,429,909)
Deferred government grant receivable	**1,219,871**	-
	1,005,085	685,353

(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

	June 30, 2018	March 31, 2018
	$	$
Trade payables	**763,737**	877,300
Accrued liabilities	**900,038**	998,486
	1,663,775	1,875,786

7. Share Capital

Authorized

Unlimited common shares

Escrowed securities

Pursuant to the policies of the Toronto Stock Exchange, 4,078,572 common shares of the Company are held in escrow as at June 30, 2018. The shares held in escrow will be released on September 2, 2018.

Calculation of loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding. For the three months ended June 30, 2018 and 2017 the calculation was as follows:

	Three months ended June 30, 2018	Three months ended June 30, 2017
Common shares issued and outstanding, beginning of period	**24,578,137**	24,313,334
Effect of warrants and options exercised	**-**	675
Weighted average shares outstanding, end of period	**24,578,137**	24,314,009

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

8. Warrants

Warrant continuity:

	Number of Warrants	**Weighted average exercise price**
Balance outstanding at March 31, 2017	**3,294,105**	**$ 2.00**
Warrants exercised during the year	(164,447)	2.00
Warrants expired during the year	(55,616)	2.00
Balance outstanding at March 31, 2018	**3,074,042**	**$ 2.00**
Warrants expired during the period	(28,617)	2.00
Balance outstanding at June 30, 2018	**3,045,425**	**$ 2.00**
Warrants exercisable at June 30, 2018	**1,666,342**	**$ 2.00**

(Expressed in Canadian Dollars)

8. Warrants cont'd

At June 30, 2018, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
	$	
30,820	$ 2.00	November 30, 2018
149,522	2.00	February 28, 2019
1,379,083	2.00	January 1, 2021
1,288,000	2.00	March 1, 2021
198,000	2.00	April 5, 2021
3,045,425		

9. Stock Options

There were no stock options granted in the three months ended June 30, 2018. During the three months ended June 30, 2017 the Company granted 125,000 stock options exercisable at $2.40 per share. The options vest 50% after one year, 25% after two years and 25% after three years and have a ten-year life.

Stock option transactions for the three months ended June 30, 2018 are set forth below:

	Number of options	Weighted average exercise price	
Balance outstanding at March 31, 2017	**1,291,657**	**$**	**1.97**
Granted	1,150,000		2.20
Exercised	(100,356)		1.40
Expired	(41,301)		1.40
Forfeited	(125,000)		2.40
Balance outstanding at March 31, 2018	**2,175,000**	**$**	**2.11**
Forfeited	(125,000)		2.40
Balance outstanding at June 30, 2018	**2,050,000**	**$**	**2.11**

The following table summarizes information about stock options outstanding at June 30, 2018:

	Options Outstanding			Options Exercisable	
Exercise Prices	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
$		Years	$		$
2.00	1,100,000	8.98	2.00	550,000	2.00
2.01	700,000	9.48	2.01	-	-
2.88	200,000	4.62	2.88	100,000	2.88
3.00	50,000	3.99	3.00	50,000	3.00
	2,050,000	**8.63**	**2.11**	**700,000**	**2.20**

(Expressed in Canadian Dollars)

10. Government assistance

CPRIT assistance

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

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

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

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

The amount receivable at June 30, 2018 represents funds spent on approved grant expenditures, but not yet reimbursed.

11. Commitments

Contractual obligations	1 year	1-3 years	3-5 years	Total
Patent licensing costs, minimum annual royalties per license agreements	$ 47,000	$ 93,000	$ 240,000	$ 380,000
Liquidity event payment	$ 0	$ 336,971	$ 0	$ 336,971

12. Related party disclosures

(a) *Key management personnel*

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

	June 30, 2018	June 30, 2017
	$	$
Salaries and wages	**222,937**	340,651
Board fees	**35,508**	20,750
Stock option expense	**233,130**	200,720
	491,575	562,121

(Expressed in Canadian Dollars)

12. Related party disclosures cont'd

The Company paid $6,866 in office rent to Aries Biologics Corp, a company controlled by the CEO and CDO of the Company.

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

(b) Amounts payable to related parties

As at June 30, 2018, the Company had trade and other payables owing to related parties of $203,564 (2017: $372,000) related to expense reimbursements and accrued vacation.

13. Components of Expenses

	Three months ended June 30, 2018	Three months ended June 30, 2017
	$	$
General and Administration Expenses		
Depreciation expense	**1,705**	4,590
Stock based compensation	**156,893**	116,818
Facilities and operations	**44,286**	39,894
Legal, professional and finance	**31,938**	114,805
Salaries and benefits	**190,893**	256,619
Other expenses	**181,347**	84,181
CPRIT grant claimed in eligible expenses (Note 10)	**(192,511)**	(178,816)
	414,551	438,091

	Three months ended June 30, 2018	Three months ended June 30, 2017
	$	$
Research and Development Expenses		
Chemistry, manufacturing and controls	**77,668**	85,451
Regulatory	**7,473**	43,303
Discovery and pre-clinical	**327,988**	235,220
Research and development warrant	**236,858**	236,858
Clinical	**739,401**	886,782
Salaries and benefits	**339,141**	334,583
Licensing, patent, legal fees and royalties	**206,942**	81,597
Stock based compensation	**99,179**	119,476
CPRIT grant claimed on eligible expenses (Note 10)	**(1,408,936)**	(359,502)
Other research and development expenses	**9,259**	141,022
	634,973	1,804,790

14. Subsequent events

On August 10, 2018, subsequent to the quarter end, the Company received US$1,219,871 from CPRIT for the reimbursement of eligible expenses. This amount has been shown as a reduction in expenses during the quarter.