



MEDICAGO ANNOUNCES 2008 SECOND QUARTER RESULTS

Quebec City, Quebec— August 28, 2008 — Medicago Inc. (TSX-V: MDG), today announced its operational and financial results for the second quarter ended June 30, 2008. The Company's financial statements and management report are available at www.sedar.com and at www.medicago.com.

Q2 2008 Highlights

- Demonstrated efficacy of H5N1 VLP pandemic vaccine at very low doses and cross-reactivity against multiple strains of avian flu in key ferret animal model
- Successfully completed cGMP qualification of the Company's manufacturing facility
- Received a \$500,000 payment from an undisclosed Fortune 100 company for the attainment of an important development milestone
- Appointed Mr. Pierre Labbé as Chief Financial Officer and Ms. Brigitte Barbeau as VP Manufacturing

Subsequent Events

- Received non-refundable grant of up to \$279,700 from Canada's National Research Council Industrial Research Assistance program ("NRC-IRAP") to support the development of seasonal influenza VLP vaccine program
- Agreement with Evry Genopole biopark to study the feasibility of a pandemic vaccine production facility in France

"In Q2, we discovered that our H5N1 VLP pandemic vaccine provides significant immune protection levels in ferrets after a single dose of 5 micrograms, in addition to providing broad levels of protection against three of the deadliest strains of H5N1, after two doses" said Andy Sheldon, President and CEO of Medicago. "We believe this is significant because if these ferret results are replicated in humans our H5N1 VLP vaccine has the potential to generate protection levels after just a single dose of vaccination. Current FDA-approved H5N1 vaccines in the US require two doses. Ferrets are the most predictive animal model for the effectiveness of influenza vaccines in humans. The ferret data and animal toxicity study are the final steps required for the submission of the clinical trial application (CTA) to initiate our Phase I clinical trial in 2009", stated Andy Sheldon, CEO of Medicago Inc.

"Our recent achievements have also begun to attract interest from new potential partners in Europe, Asia and Africa, who believe the capabilities of our technology could address vaccine production and supply challenges in their domestic market. To this end, we entered into an agreement with Evry Genopole biopark to evaluate the establishment of a pandemic vaccine production facility in France using our proprietary plant-based technology", added Mr. Sheldon.

Outlook

Medicago is currently conducting all the necessary preclinical work for its H5N1 VLP pandemic vaccine to enable it to file a CTA with Health Canada in 2009 which would then, pending feedback from Health Canada, allow it to proceed into human clinical trials. Upcoming milestones include:

- Submission of a CTA to Health Canada in 2009 for Medicago's H5N1 pandemic vaccine
- Completion of the production of clinical grade vaccine supply for use in Phase I human clinical trials
- Initiation of a Phase I clinical trial for its pandemic vaccine
- Continuation of business development activities with potential partners including Fortune 100 company
- Completion of immunogenicity study in mice for seasonal vaccine candidate in the first half of 2009

Financial Results

Revenues from research agreements increased by \$583,000 for the three-month period ended June 30, 2008 compared to the three-month period ended June 30, 2007. This increase is due to revenues generated by a milestone payment from a non-exclusive licensing agreement signed with an undisclosed Fortune 100 company. For the six-month period ended June 30, 2008, revenues were \$2,248,000 compared to \$18,500 for the six-month period ended June 30, 2007. This increase is due to revenues generated by two non-exclusive licensing agreements signed with an undisclosed Fortune 100 company.

Research and development ("R&D") expenses totaled \$1,116,000 in the second quarter of 2008 (\$2,232,000 since the beginning of the year), compared to \$875,000 in the second quarter of 2007 (\$1,615,000 for the first six months of 2007). R&D expenses were higher mainly as a result of the Company's preclinical studies on its H5N1 VLP vaccine performed in the first half of 2008.

Investment tax credits totaled \$352,000 for the three-month period ended June 30, 2008, \$42,000 higher than the three-month period ended June 30, 2007. The increase is due to the increase in R&D expenses. For the six-month period ended June 30, 2008 investment tax credits increased by \$305,000 to \$691,000. This increase is explained by the corporate reorganization completed on April 1, 2007, which resulted in the creation of new entities to perform its research and development activities and therefore maximizing its R&D tax credits.

General and administrative, business development and intellectual property expenses increased by \$133,000, to \$747,000 for the three-month period ended June 30, 2008 compared to the same period in 2007. The increase in expenses is explained by consultant fees and stock-based compensation. For the six-month ended June 30, 2008, general and administrative, business development and intellectual property expenses increased by \$243,000, to \$1,434,000 compared to 2007. The increase in expenses resulted mainly from consultant fees, stock-based compensation, salaries and in outsourced contract work.

Other net financial expenses amounted to \$507,000 for the three-month period ended June 30, 2008, \$305,000 higher compared to the same period in 2007. This increase is the result of higher interest on bank loans, higher amortization of deferred financing expenses and no grants in 2008 compared to \$159,000 in the same period in 2007. Consequently, since the beginning of the year other net financial expenses increased by \$437,000 to \$896,000.

Consolidated loss for the three-month period ended June 30, 2008 was \$1,577,000, or \$0.05 per basic and diluted share compared to a loss of \$1,550,000, or \$0.09 per basic and diluted share in the same period in 2007. For the six-month period ended June 30, 2008 consolidated loss amounted to \$1,902,000 or \$0.07 per basic and diluted share compared to a loss of \$3,197,000, or \$0.18 per basic and diluted share in the first six months of 2007.

As at June 30, 2008, the Company had consolidated assets of \$7.9 million, including cash and cash equivalents of \$0.9 million, compared to consolidated assets of \$6.7 million, including cash and cash equivalents of \$0.2 million as at December 31, 2007.

About Medicago

Medicago is committed to provide highly effective and affordable vaccines based on proprietary Virus-Like Particle (VLP) and manufacturing technologies. Medicago is developing VLP vaccines to protect against H5N1 pandemic influenza, using a transient expression system which produces recombinant vaccine antigens in non-transgenic plants. This technology has potential to offer advantages of speed and cost over competitive technologies. It could deliver a vaccine for testing in about a month after the identification and reception of genetic sequences from a pandemic strain. This production time frame has the potential to allow vaccination of the population before the first wave of a pandemic strikes and to supply large volumes of vaccine antigens to the world market. Additional information about Medicago is available at www.medicago.com.

Forward Looking Statements

This press release contains forward-looking statements which reflect Medicago's current expectations regarding future events. The forward-looking statements involve risks and uncertainties. Actual results could differ materially from those projected herein. Medicago disclaims any obligation to update these forward-looking statements.

The TSX Venture Exchange assumes no responsibility for the content or accuracy of this press release

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