



**PRESS RELEASE
FOR IMMEDIATE RELEASE**

MEDICAGO ANNOUNCES SECOND QUARTER RESULTS

Quebec City, Quebec – August 29, 2007 – Medicago Inc. (TSX-V: MDG), (“Medicago” or “the Company”), today reported its financial results for the fiscal quarter ended June 30, 2007. The Company's financial statements and Management's Discussion and Analysis are available at www.sedar.com and at www.medicago.com.

In the second quarter of 2007 results obtained in our key influenza vaccine development program have ensured that Medicago remains on track with its key deliverables towards its Phase 1 clinical filing in 2008.

Four weeks from receiving the genetic sequences, Medicago's scientists were able to produce the two principal antigens of the Influenza H5N1 Indonesia clade 2 strain currently circulating in Asia and parts of Europe, otherwise known as Avian Flu. The two antigens Hemagglutinin and Neuraminidase were successfully produced at commercially viable levels and Medicago intends to start pre-clinical testing shortly.

"This is an excellent result and a major milestone for Medicago which takes us one step further toward full realization of the value of our technology." said Medicago's President and Chief Executive Officer Andy Sheldon. "It is also a real-life demonstration of the power of our technology to deliver fast response and critical surge capacity to assist in protecting the worldwide population against new emerging Influenza strains. In order to achieve these milestones, Medicago needs to raise additional financing."

To face pandemic and seasonal vaccine supply challenges, Medicago has developed a proprietary transient expression system which produces recombinant vaccine antigens in the cells of non-transgenic plants. Our technology offers significant advantages of speed and cost over competitive egg-based and cell culture technologies. It can deliver a vaccine for testing in about a month after the identification and reception of Hemagglutinin and Neuraminidase genetic sequences from the pandemic strain. This production time frame has the potential to allow vaccination of the population before the first wave of the pandemic strikes and to supply large volumes of vaccine antigens to the world market including developing countries.

Financial Results

The Company's revenues were nil in the second quarter of 2007, compared to \$77,000 for the same period a year ago. This decrease is due to milestones payments in 2006 that did not reoccur in the second quarter of 2007.

Consolidated loss for the quarter ended June 30 was \$1,550,000 or \$0.09 per share, compared to \$1,716,000 or \$0.20 per share in the second quarter of 2006. The main cost reduction occurred in research and development activities.

Research and development expenses decreased by \$243,000 to \$875,000 in the second quarter of 2007 compared to the same period in 2006. This decrease is attributable to lower wages and salaries, lower travelling charges and lower level of outsourced contract work.

Investment tax credits were at \$310,000 for the three-month period ended June 30, 2007, \$28,000 lower than the three-month period ended June 30, 2006. These credits are calculated on admissible research and development charges; the refundable credit rate was the same in the second quarter of 2007 as in the same quarter in 2006.

General and administrative, business development and intellectual property expenses increased by \$24,000 to \$614,000 for the quarter ended June 30, 2007 compared to the same period in 2006.

Other net financial expenses amounted to \$ 361,000 for the three-month period ended June 30, 2007, \$88,000 higher compared to the three-month period ended June 30, 2006. This increase is mainly the result of higher interest rate on the long-term Bio-Levier loan.

Total consolidated assets were \$7.4 million as of June 30, 2007, a decrease of \$1.2 million from \$8.6 million as of December 31, 2006. The variation is due to a decrease in the total of cash and term deposit for \$0.8 million and investment tax credits receivable for \$0.3 million.

On August 29, 2007 the Company as granted its interim Chief Financial Officer, Mr. Vincent Bélanger, 25,000 stock options exercisable at a price of \$0.65 starting from the date of the grand as part of his compensation.

Outlook

The Company expects the following milestones to be completed in 2007 and 2008:

- Completion of preclinical studies for our Avian Flu pandemic vaccine (H5N1);
- Submission of our first Regulatory Filing (CTA) for our Avian Flu pandemic vaccine;
- Initialization of Phase I clinical studies.

In order to attain these milestones, Medicago needs to raise additional financing.

About Medicago Inc.

Medicago is a biotechnology company focused on the development, production and commercialization of protein-based biopharmaceuticals using a proprietary manufacturing system developed from its expertise in the genetic engineering of plants. Medicago's Proficia technology offers speed, flexibility and cost advantages that can greatly improve the accessibility of today's emerging biopharmaceuticals for both partners and patients.

Forward Looking Statements

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

- 30 -

The TSX Venture Exchange Inc. has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Interim Consolidated Statement of Earnings (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Revenues from research agreements	-	77,474	18,500	121,959
Expenses				
Research and development	875,430	1,119,061	1,614,911	2,306,687
Research grants and contributions	(159,358)	(27,660)	(222,426)	(55,243)
Research and development tax credits	(310,000)	(338,437)	(386,000)	(603,199)
General and administrative	614,161	590,173	1,156,613	1,284,336
Exchange loss (gain)	(3,116)	(1,747)	(357)	(2,173)
Depreciation of property, plant and equipment	153,810	151,249	292,134	299,669
Amortization of intangible assets	18,212	27,843	49,233	55,472
Other financial expenses, net	361,097	273,362	711,214	535,815
	1,550,236	1,793,844	3,215,322	3,821,364
Loss and comprehensive loss for the period	(1,550,236)	(1,716,370)	(3,196,822)	(3,699,405)
Basic and diluted loss per share	(0.09)	(0.20)	(0.18)	(0.43)

Consolidated Statement of Deficit (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Balance at the beginning of the period	31,645,165	24,495,351	30,269,947	22,512,316
Adjustment related to the implementation of new accounting standards			(271,368)	-
Loss and comprehensive loss for the period	1,550,236	1,716,370	3,196,822	3,699,405
Balance at the end of the period	<u>33,195,401</u>	<u>26,211,721</u>	<u>33,195,401</u>	<u>26,211,721</u>

Consolidated Balance Sheets

	As at June 30, 2007 \$ (unaudited)	As at December 31, 2006 \$ (audited)
Assets		
Current assets		
Cash and cash equivalents	873,574	442,929
Term deposit	100	1,230,188
Current portion of security deposit on a lease agreement	20,000	20,000
Accounts receivable	108,526	79,130
Financing receivable	228,852	171,926
Investment tax credits receivable	316,850	581,167
Grants receivable	10,000	23,125
Prepaid expenses	105,680	74,312
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	1,663,582	2,622,777
Security deposit on a lease agreement	20,000	20,000
Property, plant and equipment	4,305,062	4,536,560
Intangible assets	1,400,369	1,433,552
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	7,389,013	8,612,889
Liabilities		
Current liabilities		
Bank loan	-	300,000
Accounts payable and accrued liabilities	654,317	990,338
Current portion of long-term debt	13,072	13,072
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	667,389	1,303,410
Long-term debt	13,589,826	13,067,121
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	14,257,215	14,370,531
Shareholders' Deficiency		
Share capital	23,463,903	22,152,413
Contributed surplus	801,868	798,034
Other equity components	2,061,428	1,561,858
Deficit	(33,195,401)	(30,269,947)
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	(6,868,202)	(5,757,642)
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	7,389,013	8,612,889
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