

STANDBY EQUITY DISTRIBUTION AGREEMENT

THIS STANDBY EQUITY DISTRIBUTION AGREEMENT is made this
13th day of May, 2010

B E T W E E N:

YA GLOBAL MASTER SPV LTD., an Exempted Company incorporated in the
Cayman Islands with Limited Liability

(the "**Investor**")

- and -

MEDICAGO INC., a corporation incorporated pursuant to the laws of Québec

(the "**Corporation**")

RECITALS

WHEREAS:

- A. Subject to the terms and conditions hereinafter set forth, the Investor hereby irrevocably agrees to purchase and the Corporation hereby irrevocably agrees to issue and sell from time-to-time in connection with Draw Downs (as hereinafter defined) hereunder up to an aggregate amount of \$10,000,000 worth of common shares in the capital of the Corporation (the "**Subscription Shares**"); and
- B. The Investor has agreed to enter into this agreement with the Corporation to set forth the terms and conditions relating to the Draw Downs and the issuance of the Subscription Shares upon the completion of a Draw Down.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein set forth, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree as follows:

ARTICLE I – DEFINITIONS

1.1 Certain Definitions.

Unless expressly provided otherwise, where used in this Agreement or any schedule hereto, the following terms shall have the following meanings, respectively:

"**1933 Act**" means the United States *Securities Act of 1933*, as amended, and "**1933 Act Regulations**" mean the rules and regulations of the United States Securities and Exchange Commission thereunder;

"**1934 Act**" means the United States *Securities Exchange Act of 1934*, as amended, and "**1934 Act Regulations**" means the rules and regulations of the United States Securities and Exchange Commission thereunder;

"**affiliate**" shall have the meaning ascribed to such term in the *Business Corporations Act* (Canada);

"**Agreement**" means this standby equity distribution agreement between the Investor and the Corporation dated the date hereof and all schedules attached hereto, as same may be amended from time-to-time;

"**AMF**" means Autorité des Marchés Financiers;

"**AMF Decision Document**" means the AMF decision document in respect of the Final Prospectus, any Renewal Prospectus, as applicable in the context, issued by the Alberta Securities Commission under National Policy 11-202 - *Mutual Reliance Review System for Process for Prospectus Reviews in Multiple Jurisdictions*;

"**AMF Relief**" means the AMF decision document to be issued by or on behalf of the Securities Commissions granting the Corporation and the Investor relief, as applicable, from certain registration and prospectus requirements under the Securities Laws so as to permit the "equity line of credit" financing contemplated by this Agreement, in particular, the Investor will not be required to sign a certificate to the Prospectus or any Renewal Prospectus as an "Underwriter" and will not be subject to any liability as an "Underwriter" under the Securities Laws substantially as set out in Schedule "D";

"**associate**" has the meaning ascribed to such term in the *Securities Act* (Ontario);

"**Average Daily Price**" means the VWAP for the applicable day;

"**Commencement Date**" shall have the meaning ascribed thereto in Section 8.1(b) hereof;

"**Commitment Amount**" shall have the meaning ascribed thereto in Section 2.1 hereof;

"**Commitment Fee**" means the commitment fee in the amount of \$75,000 payable by the Corporation to the Investor on the date of this Agreement, at the Corporation's sole discretion in (i) cash, or (ii) by the issuance of that number of Common Shares obtained by dividing \$75,000 by the Average Daily Price for the five (5) Trading Days immediately preceding the date of this Agreement;

"**Commitment Period**" means the term of this Agreement as set forth in Section 11.1 hereof;

"**Common Shares**" means common shares in the share capital of the Corporation;

"**Consolidation Event**" shall have the meaning ascribed thereto in Section 6.1(f) hereof;

"**Convertible Securities**" means securities of the Corporation or any other issuer that are convertible into or exchangeable for or otherwise carry the right to acquire Common Shares and "**Convertible Security**" means any one of them;

"**Corporation's Information Record**" means any statement contained in any material change report, financial statement, annual information form or other document of the Corporation which has been or is filed and/or publicly disseminated by or on behalf of the Corporation pursuant to applicable Securities Laws or otherwise as of the date hereof, including the Final Prospectus;

"Daily Share Amount" shall have the meaning ascribed thereto in Section 8.1(c) hereof;

"Designated Provinces" means, collectively, the Provinces of Alberta, British Columbia, Ontario and Québec in which the Corporation maintains reporting issuer status;

"Directors" means the board of directors of the Corporation for the time being and reference without more to action by the Directors shall mean action by the Directors as a board or by any authorized committee thereof;

"Draw Down" shall have the meaning ascribed thereto in Section 8.1(a) hereof;

"Draw Down Notice" shall have the meaning ascribed thereto in Section 8.1(a) hereof;

"Draw Down Pricing Period" shall mean a period during the Commitment Period of ten (10) consecutive Trading Days beginning on the Trading Day immediately following the submission of the Draw Down Notice if same is submitted on or prior to 5:00 p.m. (New York City time) or on the second Trading Day immediately following the submission of the Draw Down Notice if same is submitted after 5:00 p.m. (New York City time), provided, however, the Draw Down Pricing Period shall not begin before the day on which such notice is tendered to the Investor;

"Draw Down Reduction" means in relation to each Draw Down, the right of the Investor, at its sole discretion and upon prior written notice to the Corporation on or prior to the Settlement Date, to reduce such Draw Down (i) by up to ten percent (10%) of the Draw Down amount for each Trading Day during the Draw Down Pricing Period for which the Average Daily Price is below the Minimum Price, (ii) by such amount to ensure that the Investment Amount does not exceed five percent (5%) of the Market Cap as of the Settlement Date; and (iii) by such amount to ensure that the Corporation does not issue to the Investor more than 9.9% of its common shares during any 12 month period.

"due inquiry", when used in relation to the Corporation, means after inquiries have been made to the appropriate directors, officers and employees of the Corporation who may have some knowledge with respect to the fact in question;

"Exchange" means collectively, the TSX, or if the Common Shares are not then listed on such exchanges, such other stock exchange or over-the-counter market on or through which the Common Shares are then principally traded (provided that the Investor shall have expressly consented in writing thereto);

"Exchange Letter" shall have the meaning ascribed thereto in Section 4.1(i) hereof;

"Excluded Taxes" means taxes, levies, imposts, deductions, charges or withholdings, including interest, penalties or additions thereto, and all related liabilities, imposed on or measured by net income or net profits of the Investor or its partners, capital taxes or franchise taxes imposed pursuant to the laws of Canada, the United States of America or by the jurisdiction under the laws of which the Investor or its partners are organized, in which such person is resident for tax purposes or in which the principal office or applicable lending office of such Investor or its partners is located or in which it is otherwise deemed to be engaged in a trade or business for Tax purposes or any subdivision thereof or therein, and any branch profits taxes imposed by the

United States of America or any similar tax imposed by any jurisdiction on the Investor or its partners;

"**First Purchasers**" shall have the meaning ascribed thereto in Section 9.1 hereof;

"**GAAP**" means generally accepted accounting principles as approved from time-to-time by the Canadian Institute of Chartered Accountants or any successor institute, as may be amended after the date of this Agreement by the international accounting standards within the meaning of the IAS Regulation 1606/2002 when it becomes effective;

"**Governmental Authority**" means any nation or government, any state, province, municipality, region or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government, any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing and any department, agency, board, commission, tribunal, committee or instrumentality of any of the foregoing having jurisdiction over the Corporation or its activities;

"**Gross Proceeds**" means the Investment Amount less the Draw Down Reduction;

"**including**" means including without limitation and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it;

"**Indebtedness**" shall mean (i) any liabilities for borrowed money or amounts owed in excess of \$500,000 (other than trade accounts payable incurred in the ordinary course of business), (ii) all guarantees, endorsements and contingent obligations in respect of Indebtedness of others, whether or not the same are or should be reflected in the Corporation's balance sheet (or the notes thereto), except guarantees by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and (iii) the present value of any lease payments aggregating in excess of \$500,000 due under leases required to be capitalized in accordance with GAAP;

"**Indemnified Party**" shall have the meaning ascribed thereto in Section 12.2 hereof;

"**Initial Closing**" shall have the meaning ascribed thereto in Section 3.1 hereof;

"**insider**" shall have the meaning ascribed to such term in the *Securities Act* (Ontario);

"**Investment Amount**" shall have the meaning ascribed thereto in Section 8.1(b) hereof;

"**Investor's Group**" shall mean collectively, the Investor, its affiliates, associates, partners and insiders;

"**Licensed Software**" shall have the meaning ascribed thereto in Section 4.1(dd) hereof;

"**Market Cap**" means the market capitalization of the Corporation calculated by multiplying the number of Common Shares outstanding by the Average Daily Price for the date in question;

"**Material Adverse Effect**" means, with respect to a party, any effect on the business, operations, assets, liabilities, financial condition, ownership or capital of such party that is

material and adverse to such party and its subsidiaries, taken as a whole and/or any condition, circumstance or situation that would prohibit or otherwise materially interfere with the ability of such party to perform any of its material obligations under any material agreement;

"Minimum Price" means, in relation to each Draw Down, an Average Daily Price for the Common Shares for any Trading Day during the Draw Down Pricing Period of at least \$0.10;

"Non-arm's Length Party" means any officer or director of the Corporation and that person's associates, or any beneficial owner of securities carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation and that party's associates, affiliates and insiders;

"Other Taxes" means any present or future transfer, mortgage, stamp or documentary taxes or any other excise or property taxes, charges, financial institutions duties, debits taxes or similar levies imposed by Canada, or any province or territory thereof, the United States or any other jurisdiction that arise from any payment under this Agreement or from the execution, delivery, enforcement or registration of, or otherwise with respect to, this Agreement;

"Owned Software" shall have the meaning ascribed thereto in Section 4.1(dd) hereof;

"person" includes any individual, corporation, limited partnership, general partnership, joint stock company or association, joint venture association, company, trust, bank, trust company, land trust, investment trust society or other entity, organization, syndicate, whether incorporated or not, trustee, executor or other legal personal representative, and governments and agencies and political subdivisions thereof;

"Proprietary Rights" shall have the meaning ascribed thereto in Section 4.1(dd) hereof;

"Prospectus" means, collectively, the preliminary base shelf prospectus of the Corporation (the **"Preliminary Prospectus"**), the (final) base shelf prospectus of the Corporation and each shelf prospectus supplement of the Corporation (the **"Final Prospectus"**), filed from time-to-time in each of the Designated Provinces relating to the distribution to the Investor (and, in certain circumstances, to the First Purchasers) of the Subscription Shares during the Commitment Period and, unless the context otherwise requires, includes all amendments or supplements thereto;

"Purchase Price" means, in relation to a Draw Down and with respect to Subscription Shares purchased, (i) 95% of the relevant Average Daily Price of the Common Shares for each Trading Day during the Draw Down Pricing Period if such Average Daily Price is equal to or greater than \$0.20; (ii) 92.5% of the relevant Average Daily Price of the Common Shares for each Trading Day during the Draw Down Pricing Period if such Average Daily Price is equal to or greater than \$0.15 but less than \$0.20; and (iii) 90% of the relevant Average Daily Price of the Common Shares for each Trading Day during the Draw Down Pricing Period if such Daily Price is equal to or greater than \$0.10 but less than \$0.15;

"PMP" means Phillip Morris Participations B.V.;

"Regulation S" means Regulation S under the 1933 Act;

"Renewal Prospectus" means each of the (final) base shelf prospectuses of the Corporation to be filed in each of the Designated Provinces relating to the distribution to the Investor (and, in certain circumstances, to the First Purchasers) of the Subscription Shares during the 25-month period of the Commitment Period following the initial 25 months of the Commitment Period and, unless the context otherwise requires, includes all amendments or supplements thereto, and collectively, the **"Renewal Prospectuses"**;

"Representation Right and Pre-emptive Right Agreement" means the Representation Right and Pre-emptive Right Agreement between the Corporation and PMP dated October 21, 2008;

"Securities Commissions" means, collectively, the securities commissions or other securities regulatory authorities in each of the Designated Provinces, and **"Securities Commission"** means any one of the Securities Commissions;

"Securities Laws" means, collectively, the applicable securities laws of each of the Designated Provinces and the respective regulations and rules made and forms prescribed thereunder together with all applicable published policy statements, blanket orders and rulings of the Securities Commissions and the by-laws, regulations and rules of the Exchange;

"Settlement Date" shall have the meaning ascribed thereto in Section 8.1(c) hereof;

"Settlement Period(s)" shall have the meaning ascribed thereto in Section 8.1(c) hereof;

"Subscription Shares" means the Common Shares issuable pursuant to a duly completed Draw Down;

"Subsidiaries" means a body corporate which is (a) controlled by (i) the Corporation; (ii) the Corporation and one or more bodies corporate each of which is controlled by the Corporation; or (iii) two or more bodies corporate each of which is controlled by the Corporation or (b) a subsidiary of the Corporation that is the Corporation's subsidiary and **"Subsidiary"** means any one of them;

"Taxes" means all taxes, levies, imposts, deductions, charges or withholdings and all related liabilities;

"Trading Day" means any day on which the Exchange is open for business;

"U.S. Person" has the meaning ascribed thereto in Rule 902(k) to Regulation S;

"U.S. Securities Laws" means all of the applicable federal securities laws and regulations of the United States, including without limitation the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations; and

"VWAP" means the daily volume-weighted average price per Common Share on the Exchange as reported by Bloomberg Financial, L.P. (based on a Trading Day from 9:30 a.m. Toronto Time to 4:02 p.m. Toronto Time).

1.2 Schedules. The following are the schedules attached to this Agreement, which schedules are deemed to be a part hereof and are hereby incorporated by reference herein:

- Schedule "A" - Form of Draw Down Notice
- Schedule "B" - Form of Officers' Certificate
- Schedule "C" - Form of Opinion of the Corporation's Counsel
- Schedule "D" - AMF Decision Document
- Schedule "E" – List of Licensed Intellectual Property

ARTICLE II – COMMITMENT TO PURCHASE SUBSCRIPTION SHARES

2.1 Commitment for the Purchase and Sale of Subscription Shares.

Subject to the terms and conditions set forth herein, the Corporation may from time-to-time during the Commitment Period issue and sell to the Investor, and the Investor shall acquire from the Corporation, for a maximum aggregate consideration of \$10,000,000 (the "**Commitment Amount**"), Subscription Shares based on Draw Downs hereunder.

ARTICLE III – INITIAL CLOSING

3.1 Initial Closing.

The delivery of the Final Prospectus and all other documents, instruments, certificates, undertakings and opinions required under this Agreement shall take place at the offices of the Corporation's legal counsel, McCarthy Tétrault LLP, Le Complexe St-Amable, Suite 700, 1150, rue de Claire-Fontaine, Québec City, Québec, G1R 5G4 at 10:00 a.m. (EDT) on the first Trading Day following the date of the AMF Decision Document in respect of the Final Prospectus or such other time and place as the Investor and the Corporation may mutually agree upon (the "**Initial Closing**").

Each party hereto shall deliver all documents, instruments and writings required to be delivered by such party pursuant to this Agreement at or prior to the date of the Initial Closing.

ARTICLE IV – REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

4.1 Representations and Warranties of the Corporation.

The Corporation hereby represents and warrants to the Investor as follows and acknowledges that the Investor is relying upon the following representations and warranties in connection with its purchase of Subscription Shares hereunder:

- (a) Good Standing. The Corporation as of the date hereof is a corporation duly incorporated and organized and validly existing under the laws of the Province of Québec and will at all times during the Commitment Period validly exist under the laws of a Canadian jurisdiction, is duly qualified to carry on its business and is in good standing in each jurisdiction in which the conduct of its business or the ownership, leasing or operation of its property and assets requires such qualification, and has all requisite corporate power, authority and capacity to

carry on its business as now conducted and to own, lease or operate its property and assets and to enter into, execute, deliver and perform its obligations under this Agreement pursuant to its terms. The Corporation and each of the Subsidiaries are conducting their respective businesses in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which their respective businesses are carried on, and all licenses, registrations and qualifications of the Corporation and each of the Subsidiaries are valid, subsisting and in good standing, except in respect of matters which do not and will not result in a Material Adverse Effect on the Corporation, and except for the failure to be so qualified or the absence of any such license, registration or qualification which does not and will not have a Material Adverse Effect on the Corporation;

- (b) Authorization, Enforcement. (i) The execution and delivery of this Agreement by the Corporation and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate and shareholder action and no further consent or authorization of the Corporation, its Directors or its shareholders is required, and (ii) this Agreement has been duly executed and delivered by the Corporation and is a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, receivership or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application;
- (c) Subsidiaries. The Subsidiaries are the only subsidiaries of the Corporation, whether through direct or indirect holdings of securities. Each of the Subsidiaries are, directly or indirectly, wholly-owned subsidiaries of the Corporation and each is duly incorporated and organized and validly existing under the laws of its jurisdiction of incorporation, is duly qualified to carry on its business and is in good standing in each jurisdiction in which the conduct of its business or the ownership, leasing or operation of its property and assets requires such qualification, and has all requisite corporate power, authority and capacity to carry on its business as now conducted and to own, lease or operate its property and assets;
- (d) Authorized and Issued Capital of the Corporation. The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which, as at May 7, 2010, there are outstanding 118,215,190 Common Shares, all of which have been duly and validly authorized and are issued as fully paid and non-assessable;
- (e) Securities. Other than as set forth in the Final Prospectus and any Renewal Prospectus, the Corporation's Information Record and in this Agreement, no person or other entity has any written or oral agreement, right, option, warrant or privilege (whether by law, pre-emptive or contractual, save and except for the rights of PMP pursuant to the Representation Right and Pre-emptive Right Agreement) capable of becoming an agreement for or the right to purchase any of the issued or unissued securities of the Corporation or any Subsidiary;

- (f) Reporting Issuer Status. As of the date hereof, the Corporation is a "reporting issuer" (or the equivalent thereof), not in default, in each of the Designated Provinces and will at all times be a "reporting issuer" (or the equivalent thereof), not in default, in at least one of the Designated Provinces;
- (g) Trading of Common Shares. The issued and outstanding Common Shares are listed and posted for trading on the Exchange and no order ceasing or suspending trading in any securities of the Corporation or prohibiting the sale of the Subscription Shares pursuant to Draw Downs hereunder or the trading of any of the Corporation's issued securities has been issued and no proceedings for such purpose are pending or, to the best of the Corporation's knowledge, information and belief, after due inquiry, threatened. The Corporation has not received any notice from the Exchange questioning or threatening the continued listing of its Common Shares on such exchange and the Corporation is not in default of any rules, regulations or policies of the Exchange except those defaults which, whether individually or taken together, would not have a Material Adverse Effect on the Corporation;
- (h) Issuance of Subscription Shares. All necessary corporate action has been taken by and on behalf of the Corporation to authorize the issuance and sale of the Subscription Shares and to reserve for issuance and once paid to issue the Subscription Shares and such Subscription Shares shall, when issued and once paid in accordance with the terms of this Agreement, be validly issued as fully paid and non-assessable;
- (i) Listing of Subscription Shares. The Exchange will have conditionally approved the listing of the Subscription Shares upon the completion of Draw Downs as contemplated hereunder and except as noted in any of the Exchanges conditional listing approval letters (collectively, the "**Exchange Letter**"), no other Exchange approvals will be required prior to the issuance of the Subscription Shares.
- (j) No Bankruptcy. Except as otherwise indicated in the Corporation's Information Record, neither the Corporation nor any of the significant operating Subsidiaries has committed an act of bankruptcy or sought protection from its creditors from any court or pursuant to any legislation, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound up, as the case may be, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any portion of its property or had any petition for a receiving order in bankruptcy filed against it, and as of the date hereof, neither the Corporation nor any of the Subsidiaries is an insolvent person (as that term is defined in the *Bankruptcy and Insolvency Act* (Canada));
- (k) No Shareholder or Voting Trust Agreements. To the best of the Corporation's knowledge, information and belief, after due inquiry, except for the right of PMP to appoint one (1) board member under the Representation Right and Pre-emptive

Right Agreement, no agreement exists among any of the shareholders of the Corporation in respect of the Corporation;

- (l) No Conflicts. The execution, delivery and performance of this Agreement by the Corporation and the consummation by the Corporation of the transactions contemplated herein do not and will not (i) violate any term or provision of the constating documents, by-laws or resolutions of the Corporation or any of the Subsidiaries, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Corporation or any of the Subsidiaries is a party or is otherwise bound, (iii) create or impose a lien, charge or encumbrance on any property of the Corporation or any of the Subsidiaries under any agreement or any commitment to which the Corporation or any of the Subsidiaries is a party or by which the Corporation or any of the Subsidiaries is bound or by which any of their respective properties or assets are otherwise bound, or (iv) result in a violation of any federal, provincial, local or foreign statute, rule, regulation, order, judgment or decree (including any Securities Laws) applicable to the Corporation, any of the Subsidiaries or by which any property or asset of the Corporation or any of the Subsidiaries are bound or affected, except, in all cases, for such conflicts, defaults, terminations, amendments, accelerations and cancellations as would not, individually or in the aggregate, have a Material Adverse Effect on the Corporation. The Corporation is not required under any federal, provincial, local or foreign law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement, or issue and sell the Subscription Shares pursuant to Draw Downs hereunder (other than the filing of the Final Prospectus, the Renewal Prospectus and all necessary related documents thereto in each of the Designated Provinces to qualify the distribution of the Subscription Shares in each of the Designated Provinces, obtaining the AMF Relief and the making or obtaining, as the case may be, of all other filings or approvals which are required to be made by the Corporation with the Securities Commissions and with the Exchange incidental hereto or thereto), provided that, for purpose of the representation made in this sentence, the Corporation is assuming and relying upon the accuracy of the relevant representations, warranties and agreements of the Investor herein;
- (m) No Material Adverse Effect. Since the date of the Corporation's most recent audited financial statements, no Material Adverse Effect has occurred or exists with respect to the Corporation or any of the Subsidiaries except as disclosed in the Final Prospectus, any Renewal Prospectus or the Corporation's Information Record;
- (n) No Undisclosed Events or Circumstances. Since the date of the Corporation's most recent audited financial statements, no event or circumstance has occurred or exists with respect to the Corporation, any of the Subsidiaries or their respective

assets, liabilities, obligations (absolute, accrued, contingent or otherwise), business, prospects, condition (financial or otherwise) or results of operations, that, under applicable law, rule or regulation (including the Securities Laws), requires public disclosure or announcement by the Corporation but which has not been so publicly announced or disclosed in the Corporation's Information Record. The Corporation has delivered or made available to the Investor true and complete copies of the Corporation's Information Record. The Corporation has not provided to the Investor any information which, according to applicable law, rule or regulation (including the Securities Laws), should have been disclosed publicly by the Corporation but which has not been so disclosed, other than with respect to the transactions contemplated by this Agreement. As of their respective filing dates, the Corporation's Information Record complied in all material respects with the requirements of applicable Securities Laws, and, as of their respective filing dates, the Corporation's Information Record did not contain any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Corporation included in the Corporation's Information Record comply as to form in all material respects with applicable accounting requirements, Securities Laws or other applicable rules and regulations with respect thereto. The audited and unaudited financial statements of the Corporation and the Subsidiaries have been prepared in accordance with GAAP applied on a consistent basis during the periods covered thereby (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and present, in all material respects, fully, fairly and correctly the assets, liabilities and financial position of the Corporation and the Subsidiaries as at the dates thereof and the results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments);

- (o) Actions Pending. As of the date hereof, there is no action, suit, claim, investigation or other proceeding pending or, to the best of the Corporation's knowledge, information and belief, after due inquiry, threatened against the Corporation or any of the Subsidiaries which questions the validity of this Agreement or the transactions contemplated hereby or any action taken or to be taken pursuant hereto, including any which would restrain or otherwise prevent, in any manner, the Corporation from effectually and legally issuing to the Investor the Subscription Shares pursuant to Draw Downs hereunder. Except as disclosed in the Corporation's Information Record, there is no action, suit, claim, investigation or proceeding pending or, to the best of the Corporation's knowledge, information and belief, after due inquiry, threatened, against or involving the Corporation, any of the Subsidiaries or any of their properties or assets, which action, suit, claim, investigation or proceeding would have a Material Adverse Effect on the Corporation. There are no outstanding orders, judgments, injunctions, awards or decrees of any court, arbitrator or governmental or regulatory body against the Corporation or any of the Subsidiaries except those

orders, judgments, injunctions, awards or decrees which, whether individually or taken together, would not have a Material Adverse Effect on the Corporation;

- (p) No Undisclosed Liabilities. Except as disclosed in the Corporation's Information Record, neither the Corporation nor any of the Subsidiaries has any liabilities, obligations, claims or losses (whether liquidated or unliquidated, secured or unsecured, absolute, accrued, contingent or otherwise) that would, individually or in the aggregate (on a consolidated basis), be required to be disclosed on a balance sheet of the Corporation or any of the Subsidiaries (including the notes thereto) in conformity with GAAP which are not disclosed in the Corporation's Information Record, other than those incurred in the ordinary course of business of the Corporation or the Subsidiaries since such date and which, neither individually nor in the aggregate, has a Material Adverse Effect on the Corporation;
- (q) Indebtedness. The Corporation's Information Record sets forth as of the date hereof, in all material respects, all outstanding secured and unsecured Indebtedness of the Corporation and each of the Subsidiaries or for which the Corporation or any of the Subsidiaries has commitments. To the best of the Corporation's knowledge, information and belief, after due inquiry, neither the Corporation nor any of the Subsidiaries is in default with respect to any Indebtedness except for such default that individually or in the aggregate would not have a Material Adverse Effect;
- (r) Title to Assets. The Corporation and each of the Subsidiaries have good and marketable title to all of their real and personal property reflected in the Corporation's Information Record, free of any mortgages, pledges, charges, liens, security interests or other encumbrances whatsoever, except as otherwise indicated in the Corporation's Information Record or such that do not cause a Material Adverse Effect on the Corporation's financial condition or operating results. To the best of the Corporation's knowledge, information and belief, after due inquiry, all leases of the Corporation and each of the Subsidiaries are valid and subsisting and in full force and effect;
- (s) Taxes. The Corporation and each of the Subsidiaries have filed all federal, provincial, local and foreign tax and information returns that are required to be filed or have requested extensions thereof (except in any case in which the failure to so file would not have a Material Adverse Effect on the Corporation) and the information contained in such returns, to the best of the Corporation's knowledge, is correct and complete and reflects accurately all liabilities for Taxes for the period covered. The Corporation and each of the Subsidiaries have paid all Taxes, interest and penalties required to be paid by them to the extent that any of the foregoing is due and payable as of the date hereof, except for any such assessment, fine or penalty that is currently being contested in good faith and by appropriate proceedings where adequate reserves have been established in accordance with GAAP. The Corporation and each of the Subsidiaries have withheld from each payment made to any of their past or present employees, officers or directors, the amount of all Taxes and other deductions required to be

withheld therefrom and have paid the same to the proper tax or other receiving officers within the time required under the applicable legislation.

The Corporation and the Subsidiaries, on a consolidated basis, have established on their books and records reserves that are, to the best of the Corporation's knowledge, adequate for the payment of all Taxes not yet due and payable. There are no liens for Taxes on the assets of the Corporation or any of the Subsidiaries. As of the date hereof there are no current audits or, to the best of the Corporation's knowledge, information and belief, after due inquiry, audits pending, of the tax or information returns of the Corporation or any of the Subsidiaries (whether federal, provincial, local or foreign). To the best of the Corporation's knowledge, information and belief, after due inquiry, there are no claims which have been or may be asserted relating to any such tax returns, which audits and claims, if determined adversely, would result in the imposition by any governmental agency of Taxes, interest or penalties or the assertion of any deficiency that would have a Material Adverse Effect on the Corporation. To the best of the Corporation's knowledge, information and belief, after due inquiry, none of Canada Revenue Agency or any provincial, state or foreign taxation authority has asserted or threatened to assert any assessment, claim or liability for Taxes due or to become due in connection with any review or examination of the tax returns of the Corporation or any of the Subsidiaries filed for any year which would have a Material Adverse Effect on the Corporation. The Corporation is resident in Canada within the meaning of the *Excise Tax Act* (Canada).

- (t) Certain Fees. Except for the fee referred to in Section 13.1, no brokers, finders or financial advisory fees or commissions will be payable by the Corporation with respect to the transactions contemplated by this Agreement;
- (u) Disclosure. To the best of the Corporation's knowledge, information and belief, after due inquiry, neither this Agreement nor the schedules hereto nor any other documents, certificates or instruments furnished to the Investor by or on behalf of the Corporation or any of the Subsidiaries in connection with the transactions contemplated by this Agreement contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein or therein, in the light of the circumstances under which they were made herein or therein, not misleading;
- (v) Operation of Business. The Corporation and each of the Subsidiaries own or possess all patents, trademarks, service marks, trade names, copyrights, licenses and authorizations as set forth in the Corporation's Information Record, and all other rights which are necessary for the conduct of their respective businesses as now conducted or as are reflected in the Corporation's Information Record as being contemplated;
- (w) Books and Records. To the best of the Corporation's knowledge, information and belief, after due inquiry, the records and documents of the Corporation and each of the Subsidiaries accurately reflect, in all material respects, the information relating to the businesses of the Corporation and the Subsidiaries, the location and

collection of their assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Corporation and the Subsidiaries;

- (x) Insurance. The Corporation and each of the Subsidiaries carry or will have the benefit of insurance in such amounts and covering such insurable hazards or risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaging in similar businesses and similar industries. Neither the Corporation nor any of the Subsidiaries have made any material claim on any policy of insurance or been refused any insurance coverage sought or applied for. Neither the Corporation nor any of the Subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their respective businesses at a cost that would not be reasonably expected to have a Material Adverse Effect on the Corporation;
- (y) Material Agreements. Except as disclosed in the Corporation's Information Record, neither the Corporation nor any of the Subsidiaries is a party to or bound by any presently existing oral or written contract or commitment which is material. Except as previously disclosed in the Corporation's Information Record, to the best of the Corporation's knowledge, information and belief, after due inquiry, the Corporation and each of the Subsidiaries have in all material respects performed all contractual obligations required to be performed by them to date, have received no notice of default and are not in default under any contract now in effect, the result of which could cause a Material Adverse Effect on the Corporation. No written or oral contract, instrument, agreement, commitment, obligation, plan or arrangement of the Corporation or any of the Subsidiaries limits or shall limit the payment of dividends on the Common Shares;
- (z) Interests of Insiders. Other than as described in Corporation's Information Record, no insider of the Corporation or any associate or affiliate of any insider of the Corporation has any material interest, direct or indirect, in any material transaction or any proposed material transaction which, as the case may be, materially affected, is material to or will materially affect the Corporation;
- (aa) Employees. Neither the Corporation nor any of the Subsidiaries has any collective bargaining arrangements or similar agreements covering any of its employees. Neither the Corporation nor any of the Subsidiaries is in breach of any employment contract, agreement regarding proprietary information, non-competition agreement, non-solicitation agreement, confidentiality agreement, or any other similar contract or restrictive covenant, relating to the right of any officer, to be employed or engaged by the Corporation or any of the Subsidiaries and which breach would have a Material Adverse Effect on the Corporation. Since the date of the Corporation's most recent audited financial statements, no officer, consultant or key employee of the Corporation or any of the Subsidiaries whose termination, either individually or in the aggregate, would have a Material Adverse Effect on the Corporation, has terminated or, to the knowledge, information or belief of the Corporation, after due inquiry, has any

present intention of terminating his or her employment or engagement with the Corporation or any of the Subsidiaries;

- (bb) Acknowledgment Regarding Investor's Purchase of Securities. The Corporation acknowledges that the Investor is acting solely in the capacity of an arm's length purchaser with respect to this Agreement and the transactions contemplated hereunder. The Corporation further acknowledges that the Investor is not acting as a financial advisor or fiduciary of the Corporation (or in any other similar capacity) with respect to this Agreement and the transactions contemplated hereunder and any advice given by the Investor or any of its representatives or agents in connection with this Agreement and the transactions contemplated hereunder is merely incidental to purchase of the Subscription Shares by the Investor. The Corporation further acknowledges that the Corporation's decision to enter into this Agreement has been based solely on an independent evaluation by it;
- (cc) Qualification for Distribution. The Corporation has obtained the AMF Relief from and has filed the Prospectus with each of the Securities Commissions in conformity with the requirements of all Securities Laws and the AMF Relief and, in the case of the Final Prospectus, has obtained the AMF Decision Document therefor, qualifying the sale of those Subscription Shares issuable during the first twelve month period of the Commitment Period in the Designated Provinces as contemplated herein and in the AMF Relief. Other than as may be required by the AMF Relief or the Exchange Letter (including the filing of the Renewal Prospectus and receiving the AMF Decision Document therefor), all necessary documents have been filed and requisite proceedings have been taken and all other approvals, permits, consents, orders, authorizations or legal requirements have been made, taken or obtained under the Securities Laws of each of the Designated Provinces to permit the issuance of the Subscription Shares pursuant to Draw Downs hereunder;
- (dd) Intellectual Property Rights and Technology. Except as disclosed in the Corporation's Information Record and Schedule "E" hereto, the Corporation is not aware of a claim of any infringement or breach by the Corporation or any of the Subsidiaries of any industrial, patent or intellectual property rights of any other person, nor has the Corporation or any of the Subsidiaries received any notice nor is the Corporation or any of the Subsidiaries otherwise aware that the use of the business names, trademarks, service marks and industrial, patent or copyright or other intellectual property of the Corporation or any of the Subsidiaries infringes upon or breaches any industrial, patent, copyright or other intellectual property rights of any other person and the Corporation has no knowledge of any infringement or violation of any of its rights or the rights of any of the Subsidiaries in such industrial, patent, copyright and other intellectual property and is not aware of any state of facts which casts doubt on the validity or enforceability of any of such industrial, patent, copyright or other intellectual property rights. The Corporation and each of the Subsidiaries own or possess adequate enforceable rights to use all patents, patent applications, trademarks, service marks, copyrights, trade secrets, processes or formulations used in the

conduct of their respective businesses (collectively, the "**Proprietary Rights**") and, to the best of the Corporation's knowledge, information and belief, after due inquiry, neither the Corporation nor any of the Subsidiaries is infringing upon the rights of others with respect to their respective Proprietary Rights and no others have infringed such Proprietary Rights which infringement is ongoing or otherwise has not been resolved to the Corporation's satisfaction. All computer software used by the Corporation and the Subsidiaries in their respective businesses, is either owned by the Corporation or the Subsidiaries (the "**Owned Software**") or is licensed to the Corporation or the Subsidiaries (the "**Licensed Software**"). Except as disclosed in the Corporation's Information Record, the Corporation and the Subsidiaries own the Owned Software free and clear of any encumbrances, liens, charges, hypothecs, pledges, mortgages, title retention agreements or other security interests. Each author of Owned Software (or any part thereof), at the time he created such Owned Software, was employed by or an independent contractor of the Corporation or the Subsidiaries under a contract of service or apprenticeship, and such Owned Software was created in the course of his employment by the Corporation or the Subsidiaries and no agreement grants to such employee any ownership rights (in respect of copyright or otherwise) in such Owned Software. All Licensed Software is licensed to the Corporation or the Subsidiaries pursuant to written license agreements under which the Corporation or the Subsidiaries is in good standing and is entitled to all benefits thereunder, and there exists no state of facts which after notice or lapse of time or both would constitute a default or breach thereunder and, to the best of the Corporation's knowledge, information and belief, after due inquiry, none of the other parties to such agreements is in material default thereunder. To the best of the Corporation's knowledge, information and belief, after due inquiry, all technical information developed by and belonging to the Corporation or any of the Subsidiaries which has not been patented has been kept confidential to a level commensurate with management's understanding as to industry practice to the extent that management of the Corporation or the Subsidiaries considers it necessary for the purpose of their respective businesses. Except with respect to the Proprietary Rights disclosed in Schedule "E" hereto, there are no royalties, honoraria, fees or other payments payable by the Corporation or any of the Subsidiaries to any person by reason of the ownership, use, license, sale or disposition of any of the Proprietary Rights. All persons having access to or knowledge of the Proprietary Rights or any information of a confidential nature that is necessary or required or otherwise used for or in connection with the conduct or operation or proposed conduct or operation of the business of the Corporation or any of the Subsidiaries have entered into appropriate non-disclosure agreements with, or are subject to confidentiality obligations to, the Corporation or the Subsidiaries which are satisfactory to the Corporation or the Subsidiaries;

- (ee) Resale. Except as noted in the Exchange Letter and the AMF Relief, no documents are required to be filed in connection with the resale of the Subscription Shares in the Designated Provinces under applicable Securities Laws, provided the resale is not a control person distribution as defined under applicable Securities Laws;

- (ff) Attributes of Securities. The attributes of the Subscription Shares conform in all material respects with the description thereof in this Agreement and in the Final Prospectus;
- (gg) Due Diligence. The minute books and corporate records of the Corporation and each of the Subsidiaries made or to be made available to the Investor or its counsel in connection with its due diligence investigations of the Corporation and the Subsidiaries for the period from their respective dates of incorporation to the dates of examination thereof, are the original minute books and records of the Corporation and each of the Subsidiaries or true copies thereof and contain copies of all proceedings (or certified copies thereof) of the shareholders, the board of directors and all committees of the board of directors of the Corporation or the Subsidiaries and there have been no other proceedings of the shareholders, board of directors or any committee of the board of directors of the Corporation or any of the Subsidiaries to the date of review of such corporate records and minute books not reflected in such minute books and corporate and other records other than those which have been disclosed to the Investor in writing or those which are not material in the context of the Corporation, as a whole; and
- (hh) Final Prospectus and Renewal Prospectuses. All information and statements contained in the Final Prospectus and any Renewal Prospectus will be, as of each applicable Settlement Date, as the case may be, true and correct in all material respects and will contain no misrepresentation, and will constitute full, true and plain disclosure of all material facts relating to the Corporation and its Subsidiaries and will not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made.

ARTICLE V – REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

- 5.1 The Investor hereby represents and warrants to the Corporation as follows and acknowledges that the Corporation is relying upon the following representations and warranties in connection with the issuance of the Subscription Shares:
- (a) Organization, Residency, and Standing of the Investor. The Investor is an Exempted Company incorporated in the Cayman Islands with limited liability validly existing and in good standing under the laws of the Cayman Islands;
 - (b) Authorization and Power. The Investor has the corporate power and capacity to enter into, and to perform its obligations under this Agreement. This Agreement has been duly authorized, executed and delivered by the Investor and is a valid and binding obligation of the Investor enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, receivership or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application;

- (c) No Conflicts. The execution, delivery and performance of this Agreement by the Investor and the consummation by the Investor of the transactions contemplated herein do not and will not (i) violate any term or provision of the constating documents of the Investor, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of any agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Investor is a party or is otherwise bound, (iii) create or impose a lien, charge or encumbrance on any property of the Investor under any agreement or any commitment to which the Investor is a party or by which the Investor is bound or by which any of its properties or assets are otherwise bound, or (iv) result in a violation of any federal, provincial, local or foreign statute, rule, regulation, order, judgment or decree (including any Securities Laws) applicable to the Investor or by which any property or asset of the Investor is bound or affected, except, in all cases, for such conflicts, defaults, terminations, amendments, accelerations and cancellations as would not, individually or in the aggregate, have a Material Adverse Effect on the Investor. The Investor is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency (other than the AMF Relief and the making of all other filings which are required to be made by the Investor incidental thereto) in order for it to execute, deliver or perform any of its obligations under this Agreement or to purchase the Subscription Shares provided that for the purposes of the representation made in this sentence, the Investor is assuming and relying upon the accuracy of the relevant representations, warranties and agreements of the Corporation herein;
- (d) Financial Risks. The Investor acknowledges that it is able to bear the financial risks associated with an investment in the Subscription Shares issuable pursuant to Draw Downs hereunder. The Investor is capable of evaluating the risks and merits of an investment in the Subscription Shares by virtue of its experience as an investor and its knowledge, experience, and sophistication in financial and business matters and the Investor is capable of bearing the entire loss of its investment in same;
- (e) No Violation of Securities Laws. The purchase of the Subscription Shares pursuant to the terms of this Agreement do not and will not, violate the Securities Laws, the U.S. Securities laws or the securities laws of the jurisdiction in which the Investor is resident. The Investor is a discretionary or similar account (other than an estate or trust) that is excluded from the definition of U.S. Person pursuant to Rule 902(k)(i) of Regulation S and is held on behalf of a person that is not a U.S. Person by Yorkville Advisors, LLC as investment manager;
- (f) Financial Resources. The Investor has, and shall continue to have, the financial resources and/or funding capability necessary to complete its obligations under this Agreement;
- (g) Purchase as Principal. The Subscription Shares will be purchased by the Investor as principal for its own account and not for the benefit of any other party;

- (h) Directed Selling Efforts. Neither the Investor nor any of its affiliates, nor any person acting on its or their behalf has engaged in or will engage in any form of general solicitation or general advertising with respect to offers or sales of the Common Shares (including the Subscription Shares), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
- (i) Obligation to Purchase. The Investor acknowledges that it is irrevocably committed to purchase the Subscription Shares pursuant to duly and validly delivered Draw Down Notices on the terms and conditions set forth herein notwithstanding any change in circumstances or other factors affecting the Corporation, subject only to the conditions set forth in Article 8 hereof;
- (j) No Registration Under U.S. Securities Laws. The Investor understands, recognizes and acknowledges that the Subscription Shares have not and will not be registered under U.S. Securities Laws and that the sale contemplated hereby is being made in reliance on a private placement exemption from registration under U.S. Securities Laws; and
- (k) Foreign Issuer Resale Restrictions. The Investor acknowledges and understands that the Subscription Shares may be transferred only: (A) to the Corporation, (B) outside the United States in accordance with Regulation S and pursuant to Securities Laws, Exchange policy, and the terms of this Agreement, (C) within the United States in accordance with the exemption from registration under the 1933 Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws, or (D) in a transaction that does not require registration under the 1933 Act or any applicable United States state laws and regulations governing the offer and sale of securities and the Investor has furnished to the Corporation an opinion of counsel of recognized standing reasonably satisfactory to the Corporation.

ARTICLE VI – COVENANTS

6.1 Covenants of the Corporation.

The Corporation covenants with the Investor as follows:

- (a) Securities and Exchange Compliance. The Corporation shall take or use its commercially reasonable efforts to cause to be taken all necessary action and proceedings as may be required and permitted by applicable law, rule and regulation for the legal and valid creation and issuance of the Subscription Shares to the Investor. The Corporation will use its commercially reasonable best efforts to arrange for the listing and posting for trading of the Subscription Shares on the Exchange as soon as possible following their issue.

The Corporation shall use its commercially reasonable best efforts to prepare and file the Final Prospectus and each Renewal Prospectus with each of the Securities

Commissions to enable the AMF Decision Document in respect of the Renewal Prospectus to be issued in accordance with applicable Securities Laws on or before the date that is 25 months from the date hereof, or the date of the immediately preceding Renewal Prospectus, qualifying the distribution of Subscription Shares pursuant to Draw Downs hereunder during the subsequent 25-month period of the Commitment Period.

At the respective times of filing and at all times subsequent to the filing thereof during the distribution of the Subscription Shares, each of the Final Prospectus and each of the Renewal Prospectuses will comply with the requirements of the Securities Laws pursuant to which it has been filed and the AMF Relief and will provide full, true and plain disclosure of all material facts relating to the Corporation, the Subscription Shares issuable pursuant to Draw Downs hereunder as required by the Securities Laws, and each of the Final Prospectus and each of the Renewal Prospectuses will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

In accordance with the AMF Relief, in connection with each Draw Down hereunder, the Corporation shall prepare and file a new or amended Final Prospectus or Renewal Prospectus, as applicable, and shall comply with all other applicable filing and other requirements under the Securities Laws in connection therewith, on or prior to the Settlement Date of the Draw Down, such that the Final Prospectus or Renewal Prospectus, as applicable, is current at such date in accordance with Securities Laws and the AMF Relief (qualifying, to the extent required, the distribution of the Subscription Shares issuable on such Draw Down). In connection with this Agreement and the transactions contemplated hereby, the Corporation shall comply with all requirements of the AMF Relief and the Securities Laws as at the dates of each Draw Down;

- (b) The Subscription Shares. As of each applicable Settlement Date, the Corporation will have authorized and reserved, free of pre-emptive rights (except for the rights of PMP pursuant to the Representation Right and Pre-emptive Right Agreement), a sufficient number of authorized but unissued Common Shares to cover the Common Shares issuable to the Investor in connection with the applicable Draw Down. The Subscription Shares issued upon any Draw Down, when paid for and issued in accordance with the terms hereof, shall be duly and validly issued and outstanding as fully paid and non-assessable, and the Investor shall be entitled to all rights accorded to a holder of Common Shares in respect of same;
- (c) Notice in Certain Events. The Corporation will immediately notify the Investor upon the occurrence of any of the following events in respect of the Final Prospectus or Renewal Prospectus, as applicable, or the Common Shares: (i) any amendment to the Final Prospectus or any Renewal Prospectus; (ii) the issuance by any of the Securities Commissions of an order ceasing the trading of the Common Shares or the initiation of proceedings for that purpose; (iii) delivery of a notice by the Exchange of the intention to suspend from trading or delisting of

the outstanding Common Shares on the Exchange; and (iv) any filing by the Corporation for protection from creditors under any applicable law. The Corporation shall not deliver a Draw Down Notice during the continuation of any of the foregoing events;

- (d) Listing of Common Shares. During the Commitment Period, the Corporation shall take all commercially reasonable steps necessary to continue the listing and trading of its Common Shares (including the Subscription Shares) on the TSX or another stock exchange or over-the-counter market acceptable to the Investor as freely tradable Common Shares and shall comply in all respects with its reporting, filing and other obligations under the by-laws, rules and policies of such exchange or market. The Corporation shall not, at any time after the date hereof during the Commitment Period and for a period of at least six (6) months thereafter, voluntarily delist the Common Shares from the TSX, even if such delisting is in connection with the listing of the outstanding Common Shares on the Nasdaq National Market, Nasdaq SmallCap Market, the American Stock Exchange or the TSX Venture Exchange, unless it has delivered an opinion of counsel in a form satisfactory to the Investor, acting reasonably, that the Subscription Shares may be resold through the facilities of such exchange without any additional resale restrictions;
- (e) Other Agreements. The Corporation shall not enter into any agreement, the terms or result of which would restrict or impair the ability of the Corporation to perform its obligations under this Agreement;
- (f) Consolidation; Merger. The Corporation shall not, at any time after the date hereof while the Corporation has actual or contingent obligations under this Agreement, effect any merger or consolidation of the Corporation with or into, or a transfer of all or substantially all of the assets of the Corporation to, another entity (a "**Consolidation Event**") without the consent of the Investor, not to be unreasonably withheld;
- (g) Compliance with Laws. The Corporation shall comply with all applicable laws, rules, regulations and orders, non-compliance with which could have a Material Adverse Effect on the Corporation;
- (h) Reporting Issuer Status. During the Commitment Period and for a period of at least six (6) months thereafter, the Corporation shall use its commercially reasonable efforts to maintain its status as a reporting issuer (or its equivalent) not in default under the Securities Laws;
- (i) Keeping of Records and Books of Account. The Corporation shall keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Corporation which are required to be reflected in accordance with GAAP, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, Taxes, bad debts and other purposes in connection with its business shall be made;

- (j) Limitation on Future Financing. The Corporation agrees that it will not enter into any "equity line" forms of financing of a similar nature to the transactions contemplated hereunder for the sale of its securities for cash at a discount to the then current market price until the earlier of (i) fifty (50) months from the date hereof, (ii) sixty (60) days after the entire Commitment Amount has been purchased by the Investor, or (iii) the date this Agreement is terminated pursuant to the terms herein.
- (k) Issuance of Securities during Draw Down Pricing Period. The Corporation agrees that, except as required pursuant to the Representation Right and Pre-emptive Right Agreement or pursuant to the terms of any previously issued Convertible Securities or pursuant to the terms of any previously issued stock options, in accordance with the terms and conditions of the Corporation's stock option plan, it will not issue any Common Shares or any other securities of the Corporation during any Draw Down Pricing Period and for the five (5) consecutive Trading Days immediately preceding and immediately following such Draw Down Pricing Period.
- (l) TSX and Securities Commission Requirements. The Corporation shall provide the Exchange and the Securities Commissions with such information, undertakings, assurances and documentation as may be stipulated by the Exchange in the Exchange Letter or the Securities Commissions in the AMF Relief, respectively, or otherwise in connection with the transactions contemplated herein;
- (m) Due Diligence Access. Subject to Section 6.2 hereof, at all times the Corporation and the Subsidiaries shall provide the Investor and its representatives access to the minute books, material contracts, corporate records and any other document or information reasonably requested by the Investor in connection with the conduct of the Investor's due diligence investigations with respect to any Draw Down, Preliminary Prospectus, Final Prospectus or Renewal Prospectuses;
- (n) Material Non-Public Information. Notwithstanding any other provision of this Agreement, the Corporation shall not deliver a Draw Down Notice during the period beginning ten (10) Trading Days before the Corporation's next subsequent annual financial statements or quarterly financial statements are to be publicly released and ending two (2) Trading Days after such report is released, or during any other period in which the Corporation is in possession of material non-public information; and
- (o) Non-Exchange Quotation or Listing. If any marketable securities of the Corporation are listed or posted for trading or if the Corporation is listed on any stock exchange or other financial market in addition to the Exchange, the Corporation has delivered to the Investor a legal opinion in form satisfactory to the Investor duly executed by the Corporation's legal counsel in the relevant jurisdiction or jurisdictions and dated the date of the Settlement Date that the issue of the Subscription Shares does not contravene any:
 - (i) provision of any agreement created by the Corporation;

- (ii) provision of any applicable law of the relevant jurisdiction or jurisdictions;
- (iii) provision of any applicable rule of the relevant stock exchange(s) or financial market(s);
- (iv) judicial order; or
- (v) provision of any corporate consent, contractual consent or government consent relating to the Corporation or the issue of the Subscription Shares.

6.2 Non-Public Information.

- (a) Prohibition. The Corporation must not directly or indirectly at any time from the date of this Agreement, without the prior consent of the Investor, disclose non-public information to the Investor.
- (b) Review Procedure. If the Corporation wants to disclose non-public information to the Investor with the prior consent of the Investor, the Corporation must identify such information as being non-public information and provide the Investor with the opportunity to accept or refuse to accept such non-public information for review.

6.3 Covenants of the Investor.

The Investor covenants with the Corporation as follows:

- (a) Non-arm's Length Party. The Investor will not enter into an agreement or arrangement of any kind, written or otherwise with a Non-arm's Length Party, to sell any Subscription Shares to such Non-arm's Length Party;
- (b) Compliance with Law. The trading activities of the Investor with respect to Common Shares will be in compliance with the Securities Laws and U.S. Securities Laws, the AMF Relief and the by-laws, rules and policies of the Exchange;
- (c) No Voting Trust Agreement. The Investor shall not enter into any agreement or arrangement with the Corporation regarding the voting of any outstanding securities of the Corporation beneficially owned by the Investor, directly or indirectly;
- (d) Securities Commission Requirements. The Investor shall provide the Securities Commissions with such information, undertakings, assurances and documentation as may be stipulated in the AMF Relief in connection with the transactions contemplated herein;
- (e) Short Selling Restriction. The Investor covenants that from and after the date hereof through and including date of termination of this Agreement (the "**Restricted Period**"), (i) that none of the Investor, its Affiliates, associates, partners or insiders will hold a net short position in Subscription Shares. The

Investor may sell Common Shares to hedge its obligation to purchase Subscription Shares provided that the Investor complies with Section 6.3(b), and (ii) from the time of delivery of a Draw Down Notice, the Investor, its Affiliates associates, partners or insiders will engage in no trading whatsoever of the Common Shares until the Draw Down has been announced pursuant to Section 8.2;

- (f) Limit of ownership. The Investor shall not, directly or indirectly, together with any member of the Investor's Group, purchase Common Shares that would result in the Investor's Group owning Common Shares respecting more than 9.9% of all issued and outstanding Common Shares;
- (g) Restrictions on Resales. In effecting any resales of Subscription Shares, the Investor will not engage in any sales, marketing or solicitation activities of the type undertaken by underwriters in the context of a public offering. The Investor will not:
 - (i) advertise or otherwise hold itself out as a dealer;
 - (ii) purchase or sell securities as principal from or to customers;
 - (iii) carry a dealer inventory in securities;
 - (iv) quote a market in securities;
 - (v) extend or arrange for the extension of credit in connection with securities transactions;
 - (vi) run a book of repurchase and reverse repurchase agreements;
 - (vii) use a carrying broker for securities transactions;
 - (viii) lend securities to customers;
 - (ix) guarantee contract performance or indemnify the Corporation for any loss or liability from the failure of the transaction to be successfully consummated;
 - (x) participate in a selling group; or
 - (xi) during a Draw Down Pricing Period, together with any affiliate, associate and Subsidiaries, sell Common Shares for gross proceeds in aggregate exceeding the Investment Amount,
- (h) Unaffiliated Dealer. The Investor will not solicit offers to purchase Common Shares and will effect all sales of Common Shares through a dealer unaffiliated with the Investor and the Corporation and appropriately registered under applicable Securities Laws; and

- (i) United States Resale Restrictions. The Investor will not transfer the Subscription Shares other than (A) to the Corporation, (B) outside the United States in accordance with Regulation S and pursuant to Securities Laws, Exchange policy, and the terms of this Agreement, (C) within the United States in accordance with the exemption from registration under the 1933 Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws, or (D) in a transaction that does not require registration under the 1933 Act or any applicable United States state laws and regulations governing the offer and sale of securities and the Investor has furnished to the Corporation an opinion of counsel of recognized standing reasonably satisfactory to the Corporation.

ARTICLE VII – CONDITIONS TO INITIAL CLOSING AND DRAW DOWNS

7.1 Conditions Precedent to the Obligation of the Corporation to Close at the Initial Closing.

The obligation hereunder of the Corporation to perform its obligations under this Agreement is subject to the satisfaction or waiver, on or before the date of the Initial Closing, of each of the conditions set forth below. These conditions are for the Corporation's sole benefit and may be waived, in whole or in part, by the Corporation, except for the conditions set forth in subsections 7.1(c) and (d) hereof, at any time in its sole discretion.

- (a) Accuracy of the Investor's Representation and Warranties. Each of the representations and warranties of the Investor shall be true and correct in all material respects as of the date when made and as at the date of the Initial Closing as though made at that time, except for the representations and warranties that speak as of a particular date;
- (b) Performance by the Investor. The Investor shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Investor on or prior to the date of the Initial Closing;
- (c) No Injunction. No statute, rule, regulation, order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement; and
- (d) Approvals. The AMF Relief the AMF Decision Document respecting the Final Prospectus and all Exchange, regulatory, corporate and shareholder approvals or consents required to be obtained in respect of the subject issuance shall have been obtained and be in full force and effect.

7.2 Conditions Precedent to the Obligation of the Investor to Close at the Initial Closing.

The obligation hereunder of the Investor to perform its obligations under this Agreement is subject to the satisfaction or waiver, on or before the date of the Initial Closing, of each of the conditions set forth below. These conditions are for the Investor's sole benefit and may be

waived, in whole or in part, by the Investor, except for the conditions set forth in subsections 7.2(c) and (h) hereof, at any time in its sole discretion.

- (a) Accuracy of the Corporation's Representation and Warranties. Each of the representations and warranties of the Corporation shall be true and correct in all material respects as of the date when made and as at the date of the Initial Closing as though made at that time, except for the representations and warranties that speak as of a particular date;
- (b) Performance by the Corporation. The Corporation shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Corporation on or prior to the date of the Initial Closing;
- (c) No Injunction. No statute, rule, regulation, order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement;
- (d) No Proceedings or Litigation. No action, suit or proceeding before any court, arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Investor, the Corporation or any of the Subsidiaries or any of their respective officers, directors or affiliates seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions;
- (e) Officer's Certificate. At the Initial Closing, the Corporation shall have delivered an executed officer's certificate addressed to the Investor and the Investor's counsel, dated the date of the Initial Closing, substantially in the form of Schedule "B" hereto;
- (f) Opinion of Counsel. At the Initial Closing, the Investor shall have received a favourable legal opinion from the Corporation's counsel addressed to the Investor and the Investor's counsel, dated the date of the Initial Closing, substantially in the form of Schedule "C" hereto. In giving such opinions, counsel to the Corporation shall be entitled to rely, to the extent appropriate in the circumstances, upon local counsel and shall be entitled as to matters of fact not within their knowledge to rely upon a certificate of fact from responsible persons in a position to have knowledge of such facts and their accuracy;
- (g) Approvals. The AMF Relief, the AMF Decision Document respecting the Final Prospectus and all Exchange, regulatory, corporate and shareholder approvals or consents required to be obtained in respect of the subject issuance shall have been obtained and be in full force and effect. The Directors shall have authorized and approved this Agreement and any other agreements pursuant to which the Subscription Shares are to be issued, the issuance of the Subscription Shares (with respect to the issuance of the Subscription Shares, as fully-paid and non-assessable Common Shares) and all matters relating to the foregoing;

- (h) Other. The Investor shall have received such other certificates, statutory declarations, opinions, agreements and documents, in form and substance satisfactory to the Investor, acting reasonably, as the Investor may reasonably request;
- (i) Due Diligence. The Investor shall, in its sole discretion, be satisfied with its legal and business due diligence with respect to the Corporation and the Subsidiaries; and
- (j) Fees. The Corporation shall have paid to the Investor the Commitment Fee, an amount of \$5,000 to cover the Investor's due diligence expenses and an amount of up to \$25,000 for the Investor's legal fees related to this Agreement as provided in Section 13.1.

7.3 Conditions Precedent to the Obligation of the Investor to Accept a Draw Down and Purchase Subscription Shares.

The obligation hereunder of the Investor to accept a Draw Down request and to acquire and pay for the Subscription Shares to the extent of such Draw Down request will be subject to the satisfaction, both on the date of the applicable Draw Down Notice and of the applicable Settlement Date, of each of the conditions set forth below. These conditions are for the Investor's sole benefit and may be waived, in whole or in part, by the Investor at any time in its sole discretion.

- (a) Satisfaction of Conditions to Initial Closing. The Corporation shall have satisfied, or the Investor shall have waived at the Initial Closing, the conditions set forth in Section 7.2 hereof;
- (b) Accuracy of the Corporation's Representation and Warranties. Each of the representations and warranties of the Corporation shall be true and correct in all material respects as of the date when made and as of the applicable Settlement Date as though made at that time, except for the representations and warranties that speak as of a particular date;
- (c) Performance by the Corporation. The Corporation shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Corporation at or prior to the applicable Settlement Date;
- (d) No Suspension. Trading in the Common Shares shall not have been suspended by any of the Securities Commissions or the Exchange (except for any suspension of trading of limited duration agreed to by the Corporation, which suspension shall have been terminated prior to the delivery of such Draw Down Notice), and, at any time prior to such Draw Down Notice, trading in securities generally as reported on the Exchange shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported on the Exchange unless the general suspension or limitation shall have been terminated prior to the delivery of such Draw Down Notice;

- (e) No Proceedings or Litigation. No action, suit or proceeding before any court, arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Investor, the Corporation or any of the Subsidiaries or any of their respective officers, directors or affiliates seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions;
- (f) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement;
- (g) No Material Adverse Affect or Consolidation Event. No Material Adverse Effect shall have occurred with respect to the Corporation, no Consolidation Event where the successor entity has not agreed to perform the Corporation's obligations hereunder shall have occurred and no Consolidation Event resulting in a reduction of more than 25% of the issued and outstanding Common Shares not held by Non-arm's Length Parties shall have occurred whether or not the resulting successor or acquiring entity (if not the Corporation) assumes by written instrument or by operation of law the obligations of the Corporation pursuant to this Agreement;
- (h) Draw Down Notice. The Corporation shall have duly delivered to the Investor and the Exchange, a Draw Down Notice pursuant to Article 9 hereof;
- (i) Approvals. The AMF Relief, the AMF Decision Document respecting the Final Prospectus and any applicable Renewal Prospectuses and all Exchange, regulatory, corporate and shareholder approvals or consents required to be obtained in respect of the subject issuance shall have been obtained and shall be in full force and effect; and
- (j) The Corporation shall not be in the process of issuing shares to PMP under the terms of the Representation Right and Pre-emptive Right Agreement.

ARTICLE VIII – DRAW DOWN TERMS

8.1 Draw Down Terms.

Subject to the satisfaction of the conditions and subject to the limitations set forth in this Agreement:

- (a) The Corporation will be entitled, in its sole discretion, to exercise a draw down (a "**Draw Down**") and issue a draw down notice, in the form of Schedule "B" hereto (a "**Draw Down Notice**") during each Draw Down Pricing Period, which Draw Down the Investor will be obligated to accept during the Commitment Period;

- (b) The Corporation shall inform the Investor, the Market Surveillance division of Investment Industry Regulatory Organization of Canada and, if requested to do so, the Securities Commissions of a Draw Down by delivering the Draw Down Notice, via facsimile transmission with receipt confirmed, as to the amount of the Draw Down (the "**Investment Amount**") the Corporation wishes to exercise at, on or prior to 5:00 p.m. (New York City time) on the Trading Day immediately prior to the first day of the Draw Down Pricing Period (the "**Commencement Date**");
- (c) Only one Draw Down shall be allowed in each Draw Down Pricing Period unless otherwise agreed in writing by the Investor. After the Corporation exercises a Draw Down hereunder, it may not deliver additional Draw Down Notices without the prior written consent of the Investor, until the Investor has confirmed the receipt of the full amount of the Subscription Shares in relation to any previous Draw Down. Upon receipt of a Draw Down Notice, the Investor shall be irrevocably bound to purchase the Subscription Shares pursuant to such Draw Down Notice in accordance with the terms and conditions of this Agreement. The number of Subscription Shares to be purchased by the Investor with respect to each Trading Day during the Draw Down Pricing Period shall be determined by dividing the numerator (being 10% of the Investment Amount, less any applicable Draw Down Reduction) by the denominator (being the Purchase Price on the relevant Trading Day) (each a "**Daily Share Amount**"). During the Pricing Period for which the conditions set forth in Section 7.3 have been satisfied, the Investor and the Corporation shall have an unconditional contract for the purchase and sale of the relevant Daily Share Amount pursuant to this Agreement with delivery of such Daily Share Amount to take place on the relevant Settlement Date (as set forth below). The aggregate number of Subscription Shares issued and sold by the Corporation and purchased by the Investor on each Settlement Date shall be equal to the sum of all of the Daily Share Amount during the Draw Down Pricing Period. The Gross Proceeds received by the Corporation in connection with the issuance of the Subscription Shares with respect to each Draw Down shall be settled against delivery of the Subscription Shares on the 11th Trading Day after such Draw Down Pricing Period commences and in accordance with paragraph 8.1(g) below (such settlement periods and such settlement dates are referred to as a "**Settlement Period**" and a "**Settlement Date**", respectively);
- (d) The maximum Investment Amount for any Draw Down shall be the lesser of \$500,000 or the remaining portion of the Commitment Amount;
- (e) The Investor shall not be required to purchase any Subscription Shares at a Purchase Price based on an Average Daily Price lower than the Minimum Price, provided that if the Investor decides, in its sole discretion, to purchase Subscription Shares for a Trading Day during which the Average Daily Price is below \$0.10, the Average Daily Price for such Trading Day shall be deemed to be the Minimum Price;

- (f) The Corporation shall not issue a Draw Down Notice during any period of time where PMP has the right to receive notice or the right to purchase Common Shares or any other securities of the Corporation pursuant to the terms of the Representation Right and Pre-emptive Right Agreement; and
- (g) Provided that the Corporation has received all prior written approvals from the Exchange and the Securities Commission, the Investor shall deliver to the Corporation the Investment Amount (less any applicable Draw Down Reduction) upon the Investor's confirmation of delivery by the Corporation to the Investor or its agent of the Subscription Shares registered as directed by the Investor.

8.2 Issuance of Press Release on Settlement Date.

Immediately following each of the issuance of a Draw Down Notice by the Corporation and of the closing of the purchase and sale of Subscription Shares on the Settlement Date of each Draw Down Pricing Period, the Corporation shall forthwith issue a press release in the form submitted to and approved by the Securities Commissions in connection with AMF Relief: (i) announcing the closing of the Draw Down; (ii) stating that the Final Prospectus or Renewal Prospectus, as applicable, relating to the Draw Down is available on the SEDAR website; and (iii) stating that the First Purchasers of such Subscription Shares under the Final Prospectus or Renewal Prospectus, as applicable, prior to the expiration of the date that is forty (40) days from the respective Settlement Dates of the Investor's purchases of Subscription Shares pursuant to the applicable Draw Down have certain statutory rights described in the Final Prospectus or Renewal Prospectus, as applicable.

8.3 Fractional Shares.

In connection with any Draw Down hereunder, the Corporation shall not be required to issue fractions of Common Shares or cause the issuance of certificates which evidence fractional Common Shares. With respect to any fraction of a Common Share called for in connection with any Draw Down hereunder, the Investor shall be entitled to round-up the Investment Amount to be paid to the Corporation for the applicable Draw Down.

ARTICLE IX – REALES OF SUBSCRIPTION SHARES AND RIGHTS OF FIRST PURCHASERS

9.1 Resales of Subscription Shares within 40 Days of a Settlement Date.

If the Investor, within forty (40) days of a Settlement Date:

- (a) resells any of the Subscription Shares acquired by it pursuant to a Draw Down hereunder through the Exchange or otherwise into the secondary market in Canada; or
- (b) directly or indirectly, hedges the investment risk associated with the acquisition of any of the Subscription Shares by means of short sales or similar strategies involving the sale of Subscription Shares (or securities convertible into,

exchangeable for or economically equivalent to Common Shares) through the Exchange or otherwise into the secondary market in Canada,

the Corporation shall recognize such transactions as being in the course of or incidental to a distribution, will recognize the first purchasers thereof (the "**First Purchasers**") as having purchased pursuant to such distribution and under the Final Prospectus or Renewal Prospectus, as applicable, and shall provide each First Purchaser with "constructive delivery" of the Final Prospectus or Renewal Prospectus, as applicable, pursuant to the terms of the AMF Relief.

9.2 Rights of a First Purchaser.

In accordance with Section 9.1 and the AMF Relief, each First Purchaser will be entitled to certain statutory rights pursuant to applicable Securities Laws in the event there is a misrepresentation in the Final Prospectus or Renewal Prospectus, as applicable, as at the date of the Final Prospectus or Renewal Prospectus, which rights will be in accordance with the AMF Relief, shall be described in the Final Prospectus or Renewal Prospectus, as applicable, and will include: (i) a right of action for damages in respect of the purchase of the Subscription Shares (or other securities) exercisable against the Corporation, every director of the Corporation as at the date of the Final Prospectus or Renewal Prospectus, as applicable, the auditors of the Corporation and every other person who signed the Final Prospectus or signs the Renewal Prospectus, as applicable, in accordance with the rights of action set forth in applicable Securities Laws (and with the same defences and limitations set forth in such laws) as if the First Purchaser had purchased the Subscription Shares (or other securities) directly from the Corporation; and (b) a right of action for rescission against the Corporation (which right shall not include, in accordance with the AMF Relief, the statutory rights of withdrawal provided for in applicable Securities Laws).

9.3 Letter to First Purchasers.

In accordance with the terms of the AMF Relief, the Investor has the right to send a letter (in the form submitted to and approved by the Securities Commissions in connection with AMF Relief) to each First Purchaser or its broker, for and on behalf of the First Purchaser, advising it that it is in fact a First Purchaser or is acting on behalf of a First Purchaser and as such, the First Purchaser has certain statutory rights as set forth in the Final Prospectus or Renewal Prospectus, as applicable, and directing the First Purchaser or its broker to the SEDAR website where it may obtain a copy of the Final Prospectus or Renewal Prospectus, as applicable.

ARTICLE X – TAX MATTERS

10.1 Gross-Up for Withholding Tax.

All payments of fees (whether in cash, through the issuance of shares or otherwise) and the issuance of Subscription Shares to the Investor (or any successor or assignee thereof) by the Corporation under this Agreement, shall be made free and clear of and without deduction or withholding for any and all Taxes (other than Excluded Taxes), unless required by law. If the Corporation shall be required by law or the interpretation thereof by the relevant Governmental Authority to deduct or withhold any such Taxes from or in respect of any sum payable under this Agreement, (i) the amount payable shall be increased by such additional amount as may be

necessary so that after making all required deductions or withholdings (including, without limitation, deductions or withholdings applicable to additional amounts paid under this Section 10.1), the Investor receives a net amount equal to the full amount it would have received if no deduction or withholding had been made; (ii) the Corporation shall make such required deductions or withholdings; (iii) the Corporation shall immediately pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law; and (iv) the Corporation shall deliver to the Investor as soon as practicable after it has made such payment to the applicable Governmental Authority (x) a copy of any receipt issued by such Governmental Authority evidencing the payment of all amounts required to be deducted or withheld from the sum payable hereunder or (y) if such a receipt is not available from such Governmental Authority, notice of the payment of such amount deducted or withheld.

If an amount becomes payable under this Section 10.1, the Investor shall provide the Corporation with a list of the jurisdictions in which its partners are resident and the combined proportionate interests in the Investor of all partners resident in such jurisdictions, and shall provide any other information requested by the Corporation that is reasonably necessary to enable the Corporation to determine the applicable rate or rates of deductions or withholdings.

10.2 Indemnity.

The Corporation shall indemnify and hold harmless the Investor for the full amount of Taxes (other than Excluded Taxes) imposed on or paid by the Investor and any liability (including penalties, interest and expenses payable or incurred in connection therewith) arising from or with respect to such Taxes (other than Excluded Taxes), whether or not they were correctly or legally asserted. Payment under this indemnification shall be made within thirty (30) days from the date the Investor makes written demand for it. A certificate containing reasonable detail as to the amount of such Taxes submitted to the Corporation by the Investor shall be conclusive evidence, absent manifest error, of the amount due from the Corporation to the Investor.

The Corporation shall furnish to the Investor the original or a certified copy of a receipt, if available, or other reasonably acceptable document to the Investor evidencing payment of Taxes made by it within thirty (30) days after the date of any such payment.

10.3 Tax Refund.

If, following the imposition of any Taxes on any payment by the Corporation in consequence of which the Corporation pays an additional amount under Section 10.1 or an amount under Section 10.2, the Investor, in its sole opinion (acting in good faith) is entitled to claim an income tax credit in any jurisdiction in which it is required to file income tax returns, the Investor shall, to the extent of such income tax credit claimed and subject to the Corporation's obligation to repay promptly on demand by the Investor the relevant amount to the Investor if the income tax credit is subsequently disallowed by the relevant Governmental Authority, reimburse the Corporation for such payment promptly after the filing of an income tax return in which such income tax credit is claimed. Nothing contained in this Section 10.3 shall require the Investor to disclose to the Corporation any income tax returns or any other confidential information relating to the organization of its affairs. For purposes of the preceding portion of this Section 10.3, a reference to the Investor shall include a reference to each partner of the Investor from time-to-time, as applicable. If the Corporation pays any amount referred to in the first sentence of this Section 10.3, the Investor shall provide to the Corporation at least annually on June 30 in each year, and

at any other time upon reasonable request of the Corporation, a certificate containing reasonable detail as to the amount of income tax credits claimed and disallowed, and the amount of any reimbursement due to the Corporation under this Section 10.3, which shall be conclusive evidence, absent manifest error, of the amount, if any, due from the Investor to the Corporation. The Corporation shall be entitled to deduct the amount of any reimbursement due to the Corporation under this Section 10.3 from any other payment due to be paid by the Corporation to the Investor.

10.4 Survival.

Without prejudice to the survival of any other provision of this Agreement, the agreements and obligations contained in this Article 11 shall survive the Commitment Period and the termination of this Agreement.

ARTICLE XI – TERMINATION

11.1 Commitment Period.

The term of this Agreement shall be thirty-six (36) months (the "**Commitment Period**") commencing on the date hereof, unless earlier terminated as set forth in this Article.

11.2 Other Termination.

- (a) This Agreement shall terminate on receipt by the Corporation of the Commitment Amount in respect of the purchase of Subscription Shares pursuant to the terms hereof.
- (b) The Investor may terminate this Agreement upon one Trading Day's notice if:
 - (i) any order to cease or suspend trading in the Common Shares is made by the Exchange, any other stock exchange, Securities Commission or other regulatory authority, for a duration exceeding three (3) Trading Days, and such order has not been rescinded, revoked or withdrawn;
 - (ii) the Common Shares are delisted from the Exchange;
 - (iii) an event resulting in a Material Adverse Effect on the Corporation has occurred and has not been cured by the Corporation for a period of two (2) Trading Days after having received written notice thereof from the Investor;
 - (iv) a covenant stipulated in Article VI is breached by the Corporation or not wholly performed;
 - (v) there is material non-compliance by the Corporation with, or the fact of material inaccuracy of, any representation made or deemed to be made by the Corporation in this Agreement, or in any document delivered to the Investor under or in connection with this Agreement;

- (vi) any attachment is made or registered against any asset of the Corporation or any of the Subsidiaries and is not dismissed or terminated within thirty (30) days from commencement of such proceeding;
- (vii) any security interest is enforced over any asset of the Corporation or any of the Subsidiaries securing payment for any amount subsequent to the occurrence of any event of default under such security interest and is not dismissed or terminated within thirty (30) days from commencement of such proceeding;
- (viii) a receiver is appointed over, or possession is taken by any secured party of, any asset of the Corporation or any of the Subsidiaries and is not dismissed or terminated within thirty (30) days from commencement of such proceeding;
- (ix) the Corporation or any of the Subsidiaries files for protection from its creditors under any applicable law;
- (x) the Corporation or any of the Subsidiaries generally ceases payment of its debts and obligations as and when they become due and payable or if the Investor reasonably decides that the Corporation is unable to pay all of its debts and obligations as and when they become due and payable;
- (xi) any legal action is commenced, judicial order is made or resolution passed for the liquidation of the Corporation or any of its Subsidiaries (except, with respect to Subsidiaries in the context of an internal reorganization) and is not dismissed or terminated within thirty (30) days from commencement of such proceeding;
- (xii) the Corporation or any of the Subsidiaries enters into any debt arrangement with its creditors generally or any class of creditors; or
- (xiii) the Corporation or any of its Subsidiaries ceases or proposes to cease to do business generally.
- (xiv) the Investor refuses to consent to a Consolidation Event during any Draw Down Pricing Period.

11.3 Termination by the Corporation.

The Corporation may terminate this Agreement upon: (i) one (1) Trading Day's notice if the Investor shall fail to fund a properly noticed Draw Down within three Trading Days of the applicable Settlement Date; or (ii) the Investor refuses to consent to a Consolidation Event during the Commitment Period.

11.4 Effect of Termination.

In the event of the termination of this Agreement by the Corporation or the Investor, written notice thereof shall forthwith be given to the other party and the transactions contemplated by

this Agreement shall be terminated without further action by the parties. If this Agreement is terminated as provided in Sections 11.1 or 11.2 herein, this Agreement shall become null and void and of no further force and effect, except for Articles 10 and 13 herein and Section 13.1. Nothing in this section shall be deemed to release the Corporation or the Investor from any liability for any breach under this Agreement, or to impair the rights of the Corporation or the Investor to compel specific performance by the other party of its obligations under this Agreement subsequent to termination.

ARTICLE XII – INDEMNIFICATION AND SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 General Indemnity.

- (a) The Corporation agrees to indemnify and hold harmless the Investor and its general partner, limited partners, directors, officers, employees, affiliates, agents, successors and assigns (and all employees, agents or representatives of its general partner) from and against any and all direct losses, liabilities, deficiencies, costs, claims, actions, damages and expenses (including, without limitation, reimbursement of the aggregate amount paid in settlement of any actions, suits, proceedings or claims and the reasonable fees and expenses of counsel that may be incurred in advising with respect to and/or defending any claim to which any such indemnified party may become subject or otherwise involved in any capacity under any statute or common law or otherwise) incurred by such parties as a result or by reason of:
- (i) any statement contained in the Prospectus or any Renewal Prospectus which constitutes or is alleged to constitute a misrepresentation;
 - (ii) any statement contained in the Corporation's Information Record which, at the time and in the light of the circumstances under which it was made, contains or is alleged to contain a misrepresentation;
 - (iii) the omission or alleged omission to state in the Prospectus or any Renewal Prospectus or any certificate of the Corporation delivered hereunder or pursuant hereto any material fact required to be stated therein or necessary to make any statement therein not misleading in light of the circumstances under which it was made;
 - (iv) any order made or inquiry, investigation or proceeding commenced or threatened by any securities commission or other competent authority based upon any misrepresentation or alleged misrepresentation in the Prospectus or Renewal Prospectus which prevents or restricts the trading in or the distribution or distribution to the public, as the case may be, of the Subscription Shares in any of the Designated Provinces; or
 - (v) any inaccuracy in or breach of the representations, warranties or covenants made by the Corporation herein or any other document delivered to the Investor in accordance with this Agreement.

- (vi) the Exchange not granting issuance of the Subscription Shares or delivery of the Subscription Shares not being effected on the Settlement Date. For the avoidance of doubt, such loss shall include any loss directly or indirectly incurred by the Investor resulting from:
 - (A) the Investor being unable to complete the sale of any Common Shares;
 - (B) the Investor, in its absolute and unfettered discretion, purchasing Common Shares in the market so as to enable the Investor to complete the sale of any Common Shares; and
 - (C) the Investor, in its absolute and unfettered discretion, rescinding or terminating the sale of any Common Shares,

which the Investor made in expectation of delivery of the Subscription Shares on the Settlement Date.

- (b) The Investor agrees to indemnify and hold harmless the Corporation and its directors, officers, employees, affiliates, agents, successors and assigns from and against any and all direct losses, liabilities, deficiencies, costs, claims, actions, damages and expenses (including, without limitation, reimbursement of the aggregate amount paid in settlement of any actions, suits, proceedings or claims and the reasonable fees and expenses of counsel that may be incurred in advising with respect to and/or defending any claim to which any such indemnified party may become subject or otherwise involved in any capacity under any statute or common law or otherwise) incurred by such parties as result of any inaccuracy in or breach of the representations, warranties or covenants made by the Investor herein or in any document delivered to the Corporation in accordance with this Agreement.

12.2 Indemnification Procedure.

Any party entitled to indemnification under this Article (an "**Indemnified Party**") will give written notice to the indemnifying party of any matters giving rise to a claim for indemnification; provided, that the failure of any party entitled to indemnification hereunder to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Article except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any action, proceeding or claim is brought against an Indemnified Party in respect of which indemnification is sought hereunder, the indemnifying party shall be entitled to participate in and, unless in the reasonable judgment of counsel to the Indemnified Party a conflict of interest between it and the indemnifying party may exist with respect of such action, proceeding or claim, to assume the defence thereof with legal counsel reasonably satisfactory to the Indemnified Party. In the event that the indemnifying party advises an Indemnified Party that it will contest such a claim for indemnification hereunder, or fails, within thirty (30) days of receipt of any indemnification notice to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defence at any time after it commences such defense), then the Indemnified Party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In

any event, unless and until the indemnifying party elects in writing to assume and does so assume the defence of any such claim, proceeding or action, the Indemnified Party's costs and expenses arising out of the defence, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The Indemnified Party shall cooperate fully with the indemnifying party in connection with any settlement negotiations or defence of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party which relates to such action or claim. The indemnifying party shall keep the Indemnified Party fully apprised at all times as to the status of the defence or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the Indemnified Party shall be entitled to participate in such defence with legal counsel of its choice at its sole cost and expense. The indemnifying party shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent, which shall not be unreasonably withheld. Notwithstanding anything in this Article to the contrary, the indemnifying party shall not, without the Indemnified Party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the Indemnified Party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such claim. The indemnification required by this Article shall be made by periodic payments of the amount thereof during the course of investigation or defence, as and when bills are received or expense, loss, damage or liability is incurred, within ten (10) days of written notice thereof to the indemnifying party so long as the Indemnified Party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (a) any cause of action or similar rights of the Indemnified Party against the indemnifying party or others, and (b) any liabilities the indemnifying party may be subject to.

12.3 Survival of Representations, Warranties and Covenants.

To the extent that they have not been fully performed at or prior to the date hereof, the covenants, representations and warranties contained in this Agreement, including in any schedule hereto, and in any agreement, instrument, certificate or other document to be executed and delivered pursuant to this Agreement and in any documents executed and delivered in connection with the completion of the transactions contemplated herein shall survive the closing on each Settlement Date pursuant hereto and, notwithstanding the closing on each such Settlement Date, shall continue in full force and effect for a period of two (2) years from the applicable Settlement Date for the benefit of the Corporation or the Investor, as the case may be.

ARTICLE XIII – MISCELLANEOUS

13.1 Fees and Expenses.

The Corporation shall pay to the Investor the Commitment Fee and an allowance of \$30,000, in aggregate, for the fees and expenses incurred by the Investor in relation to the transactions contemplated by or incidental to this Agreement, including legal and due diligence fees and expenses incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and the transactions contemplated hereunder, which amount is exclusive of all applicable Taxes. In addition, the Corporation shall be responsible for all reasonable fees and

expenses incurred by the Investor in connection with any subsequent amendments, modifications or waivers of this Agreement, the Final Prospectus or the Renewal Prospectuses requested by the Corporation or incurred in connection with the enforcement of this Agreement including, without limitation, reasonable legal fees and disbursements (up to a maximum of \$2,500 for each quarterly reporting period of the Corporation, such maximum amount being solely in connection with, for the avoidance of doubt, each Prospectus or Renewal Prospectus required to be filed by the Corporation.

13.2 Specific Enforcement.

The Corporation and the Investor acknowledge and agree that each of the parties would not have an adequate remedy at law and irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law.

13.3 Entire Agreement; Amendment.

This Agreement contains the entire understanding of the parties with respect to the matters covered hereby and supersede all prior agreements between the Corporation and the Investor with respect to their respective rights and obligations hereunder, including the indicative term sheet used in connection herewith and, except as specifically set forth herein, neither the Corporation nor the Investor make any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by a written instrument signed by the party against whom enforcement of any such amendment or waiver is sought. The parties hereto may not amend this Agreement or any rights or obligations hereunder without the prior written consent of the Corporation, the Exchange, if required, and the Investor.

13.4 Notices.

Any notice, demand, request, waiver or other communication required or permitted to be given hereunder, including, without limitation, a Draw Down Notice (collectively, a "**Communication**"), shall be in writing and shall be delivered by facsimile and electronic delivery at the electronic address and facsimile number designated below. Delivery of a Communication shall be effective: (a) upon the date of delivery, if delivered on a business day during normal business hours where such Communication is to be received, or (b) the first business day following such delivery, if delivered other than on a business day during normal business hours where such Communication is to be received. The addresses and facsimile numbers for a Communication shall be as follows:

If to the Corporation: Medicago Inc.
1020, route de l'Eglise, Suite 600
Sainte-Foy, QC G1V 3V9
Attention: [REDACTED]
Facsimile: [REDACTED]
E-mail: [REDACTED]

with a copy to: McCarthy Tétrault LLP
Le Complexe St-Amable, Suite 700
1150, rue de Claire-Fontaine
Quebec City, QC G1R 5G4
Attention: [REDACTED]
Facsimile: [REDACTED]
E-mail: [REDACTED]

If to the Investor: YA Global Master SPV Ltd.
101 Hudson Street, Suite 3700
Jersey City, NJ 07302
Attention: [REDACTED]
Facsimile: [REDACTED]
E-mail: [REDACTED]

with a copy to: Ogilvy Renault LLP
Suite 3800, P.O. Box 84
Royal Bank Plaza, South Tower
Toronto, ON M5J 2Z4
Attention: [REDACTED]
Facsimile: [REDACTED]
E-mail: [REDACTED]

If to the Exchange: Toronto Stock Exchange
Suite 1100, 1000 Sherbrooke Street West
Montreal, QC H3A 3G4
Attention: [REDACTED]
Facsimile: [REDACTED]
E-mail: [REDACTED]

If to Market Regulation IIROC
P.O. Box 11580
Suite 2600, 650 West Georgia Street
Vancouver, BC V6B 4W8
Attention: Market Surveillance
Facsimile: (604) 643-6505

[Names, phone numbers and email addresses of the persons omitted for confidentiality reasons.]

Any party, the Exchange or IIROC, Market Surveillance, may, at any time, give notice in writing to the others in the manner provided for above of any change of address or facsimile number.

13.5 Waivers.

No waiver by either party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be effective unless in writing or to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

13.6 Headings.

The division of this Agreement into articles, sections, subsections, paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to articles, sections, subsections, paragraphs and other subdivisions are to articles, sections, subsections, paragraphs and other subdivisions of this Agreement.

13.7 Successors and Assigns.

No party hereto may assign this Agreement, any part hereof or its rights hereunder without the prior written consent of the other party. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

13.8 No Third Party Beneficiaries.

Except as contemplated in Section 13.1, this Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

13.9 Governing Law/Consent to Jurisdiction.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. Subject to Section 13.10 hereof, the parties hereto hereby irrevocably attorn to the jurisdiction of the courts of the Province of Québec.

13.10 Arbitration.

In the event that any dispute shall occur or any question shall arise between the parties hereto as to the interpretation of any of the provisions hereof which cannot be resolved by their agreement, then the determination of such dispute shall be resolved by arbitration pursuant to the *Code of Civil Procedure (Québec)* and as provided in this Section and the decision shall be final and binding as between the parties and shall not be subject to appeal. Submission to arbitration pursuant to the provisions of this Section shall be a condition precedent to the bringing of any action with respect to this Agreement (other than an application for injunctive relief from an actual or threatened breach of the covenants herein) unless such condition is waived by each of

the parties in writing. Any arbitration to be carried out under this Section shall be subject to the following provisions:

- (a) the party desiring arbitration shall nominate an arbitrator and shall notify the other party of such nomination. The notice shall set forth a brief description of the matter submitted for arbitration and, if appropriate, the section or clause hereof pursuant to which such matter is so submitted. The other party shall, within ten (10) days after receiving such notice, nominate an arbitrator and the two arbitrators shall select a third arbitrator who will act as chairman of the arbitral tribunal. If the said two arbitrators shall be unable to agree on the selection of such third arbitrator, such third arbitrator shall be designated by a Judge of the applicable court in the Province of Québec upon an application by either party. The arbitration shall take place in the English language in the City of Montréal, Québec and the chairman shall fix the time and place within the City of Montréal for the purpose of hearing such evidence and representations as the parties may present and subject to the provisions hereof, the decision of any two of the three arbitrators in writing shall be binding upon the parties both in respect of procedure and the conduct of the parties during the procedure and the final determination of the issues therein. The arbitrators shall be instructed that time is of the essence in proceeding with their determination of the issue or issues at hand. The arbitrators shall, after hearing any evidence and representations that the parties may submit, render a decision and reduce the same to writing and deliver one copy thereof to each party. The majority of the arbitrators may determine any matters of procedure for the arbitration not specified herein;
- (b) if a party receiving notice of the nomination of an arbitrator by the party desiring arbitration fails within the said ten (10) days to nominate an arbitrator, the arbitrator nominated by the party desiring arbitration may proceed alone to determine the dispute in such manner and at such time as he or she shall think fit and his or her decision shall, subject to the provisions hereof, be binding upon the parties;
- (c) notwithstanding the foregoing, any arbitration may be carried out by a single arbitrator if the parties so agree; and
- (d) the cost of the arbitration and the cost of counsel and expenses of each party shall be borne by the parties as the arbitral tribunal or the single arbitrator, as the case may be, shall determine and shall not be limited by the *Code of Civil Procedure (Québec)*.

13.11 Counterparts.

This Agreement may be executed by facsimile and in any number of counterparts, all of which taken together shall constitute one and the same instrument and an original copy hereof and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart.

13.12 Publicity.

Unless otherwise provided for herein or pursuant to applicable law, neither the Corporation nor the Investor shall issue any press release or otherwise make any public statement or announcement with respect to this Agreement or the transactions contemplated hereby or the existence of this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, forthwith upon execution of this Agreement, the Corporation shall issue a press release or otherwise make a public statement or announcement with respect to this Agreement and the transactions contemplated hereby or the existence of this Agreement; provided, however, that prior to issuing such press release, making any such public statement or announcement, the Corporation obtains the prior consent of each of the Investor (which consent shall not be unreasonably withheld or delayed), the Market Surveillance division of IIROC and the Corporate Finance Services department of the Exchange.

13.13 Severability.

The provisions of this Agreement are severable and, in the event that any court or officials of any regulatory agency of competent jurisdiction shall determine that any one or more of the provisions or part of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Agreement and this Agreement shall be reformed and construed as if such invalid or illegal or unenforceable provision, or part of such provision, had never been contained herein, so that such provisions would be valid, legal and enforceable to the maximum extent possible, so long as such construction does not materially adversely effect the economic rights of either party hereto.

13.14 Further Assurances.

From and after the date of this Agreement, upon the request of the Investor or the Corporation, each of the Corporation and the Investor shall execute and deliver such instruments, documents and other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

13.15 Time of Essence.

Time shall be of the essence of this Agreement and of every part hereof and no extension or variation of this Agreement shall operate as a waiver of this provision.

13.16 Currency.

Unless otherwise indicated, all amounts expressed herein in terms of money refer to lawful currency of Canada and all payments to be made hereunder shall be made in such currency.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**YA GLOBAL MASTER SPV LTD. by its
Investment Manager, YORKVILLE
ADVISORS, LLC**

By: (s) David Gonzalez
Name: David Gonzalez
Title: Member and General Counsel

MEDICAGO INC.

By: (s) Andrew J. Sheldon
Name: Andrew J. Sheldon
Title: President and CEO

SCHEDULE "A"

FORM OF DRAW DOWN NOTICE

Please deliver this Advance Notice by mail or facsimile with a follow-up phone call to:

Yorkville Advisors, LLC

101 Hudson Street

Suite 3700

Jersey City, NJ 07302

Fax: [REDACTED]

Attention: [REDACTED]

Confirmation Telephone Number: [REDACTED]

COPIES TO: TORONTO STOCK EXCHANGE INC.
Suite 1100, 1000 Sherbrooke Street West
Montreal, QC H3A 3G4

Attention: [REDACTED]

Facsimile: [REDACTED]

E-mail: [REDACTED]

McCarthy Tétrault LLP
Le Complexe St-Amable, Suite 700
1150, rue de Claire-Fontaine
Quebec City, QC G1F 5G4

Attention: [REDACTED]

Facsimile: [REDACTED]

E-mail: [REDACTED]

OGILVY RENAULT LLP
Suite 3800, P.O. Box 84
Royal Bank Plaza, South Tower
Toronto, ON M5J 2Z4

Attention: [REDACTED]

Facsimile: [REDACTED]

E-mail: [REDACTED]

IIROC
P.O. Box 11580
Suite 2600, 650 West Georgia Street
Vancouver, BC V6B 4W8

Attention: Market Surveillance

Facsimile: (604) 643-6505

FROM: MEDICAGO INC.
1020, Route De L'Eglise, Suite 600
Sainte-Foy, QC G1V 3V9

Attention: [REDACTED]

Facsimile: [REDACTED]

E-mail: [REDACTED]

DRAW DOWN NOTICE

**made in relation to the Standby Equity Distribution Agreement between
Medicago Inc. and YA Global Master SPV Ltd.**

**Dated May 13, 2010
(the "Agreement")**

Words and expressions defined in the Agreement shall bear the same meanings in this notice and the terms and conditions contained in the Agreement are hereby incorporated by reference into, and deemed to be a part of, this notice.

- 1 In accordance with the terms and conditions of the Agreement, the undersigned hereby notifies you that it wishes to make a Draw Down against the Commitment Amount and will require you to purchase Subscription Shares as follows:

(a) Investment Amount:	\$
(b) Commencement Date (being the first Trading Day of the Draw Down Pricing Period):	
(c) Number of Trading Days in the Draw Down Pricing Period:	10
(d) Minimum Price:	
(e) Settlement Date:	

- 2 On the Settlement Date, we will deliver to the Investor a "bring-down" officers' certificate in accordance with the Subscription Agreement.
- 3 We acknowledge that our delivery of this notice is irrevocable. Failure to deliver copies of this notice to such parties indicated above shall not affect the validity of this notice.
- 4 We hereby confirm that the conditions required to issue this Draw Down Notice as set forth in the Agreement have been satisfied on or before the date of this notice or have been waived.
- 5 On the Settlement Dates, the relevant subscription monies should be sent to us by the Investor by electronic transfer to the following account:

Name of Bank:	
Branch Address of Bank:	
ABA Code:	
Account Name:	
Account Number:	
Other:	

6 We confirm that this Draw Down should be processed on the basis set out in the Agreement.

MEDICAGO INC.

By: _____
Name:
Title:

SCHEDULE "B"

FORM OF OFFICERS' CERTIFICATE

**TO: YA GLOBAL MASTER SPV LTD.
(the "Investor")**

AND TO: OGILVY RENAULT LLP

RE: Standby Equity Distribution Agreement (the "Agreement") dated May 13, 2010 between the Investor and Medicago Inc. (the "Corporation")

The undersigned, _____, the _____ of the Corporation and _____, the _____ of the Corporation hereby certify for and on behalf of the Corporation after having made due inquiry, but without personal liability, that:

- 1 the representations and warranties of the Corporation contained in the Agreement are true and correct in all material respects as if made on the date hereof, except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties were true and correct as of such earlier date; and
- 2 the conditions set forth in Article 8 of the Agreement required to have been met by the Corporation on or before the date hereof have been satisfied or waived

DATED this _____ day of _____, 20__.

Per: _____
Name
Title:

Per: _____
Name:
Title:

SCHEDULE "C"

FORM OF OPINION OF THE CORPORATION'S COUNSEL

Subject to the usual qualifications, the opinion of the Corporation's counsel shall, in addition to such other matters as the Investor may reasonably request, state that:

- 1 The Corporation is a valid and subsisting corporation existing under the laws of the Province of Québec and has not been dissolved.
- 2 The Corporation is a reporting issuer, or the equivalent thereof, in each of the Designated Provinces and is not on the list of defaulting issuers maintained by any securities regulatory authorities in the Designated Provinces.
- 3 The Corporation and each of the significant operating Subsidiaries have all requisite corporate power and capacity to carry on their respective businesses as now conducted or as contemplated in the Final Prospectus and to own, lease and operate their respective properties and assets.
- 4 The Corporation has all necessary corporate power and capacity to execute and deliver and perform its obligations under the Subscription Agreement (the "**Transaction Document**") and to create, issue and sell the Subscription Shares as contemplated by the Final Prospectus.
- 5 (a) The authorized capital of the Corporation consists of an unlimited number of Common Shares and Preferred Shares, issuable in series, and [●] Common Shares are issued and outstanding as fully paid and non-assessable;
(b) **[repeat 5(a) for each significant operating subsidiary.]**
- 6 The Corporation has taken all necessary corporate action to authorize the execution, delivery and, where applicable, the filing under the Securities Laws, of each of the Transaction Document, the Preliminary Prospectus and the Final Prospectus.
- 7 The Transaction Document has been duly authorized, executed and delivered by the Corporation and this Agreement constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance its respective terms.
- 8 All necessary corporate action has been taken by and on behalf of the Corporation to authorize the issuance of the Subscription Shares and reserve for issuance and to issue to the Investor, the Subscription Shares issuable upon the completion of Draw Downs under the Subscription Agreement and such Subscription Shares will, when issued in accordance with the terms of the Subscription Agreement, be validly issued as fully paid and non-assessable.
- 9 The attributes of the Subscription Shares are consistent in all material respects with the descriptions thereof in the Final Prospectus.

- 10 The Exchange has accepted notice of the issuance of up to [●] Subscription Shares and has conditionally approved the listing and posting for trading of same subject to the Corporation fulfilling the requirements set forth in the Exchange Letter on or before [●].
- 11 The execution and delivery of the Transaction Document, the fulfilment of the terms of the Transaction Document, the issue and distribution of the Subscription Shares as contemplated by the Final Prospectus and the Subscription Agreement and, generally, the consummation of the transactions contemplated by the Transaction Document will not result in a breach of, and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of, and will not conflict with (i) any of the terms, conditions or provisions of the constating documents or by-laws of the Corporation, (ii) any material mortgage, note, indenture, contract, agreement, instrument, lease or other document to which the Corporation is a party or by which the Corporation is or will be contractually bound as of the date hereof, (iii) any statute, rule or regulation applicable to the Corporation (or any of the significant operating Subsidiaries), and (iv) any judgment, order or decree of any Canadian federal or Alberta provincial government, governmental, regulatory or administrative agency, authority, commission or instrumentality or court having jurisdiction over the Corporation or any of the significant operating Subsidiaries or the property or assets of the Corporation or any of the significant operating Subsidiaries.
- 12 Other than as contemplated in the AMF Relief, all necessary documents have been filed and requisite proceedings have been taken and all other legal requirements have been fulfilled under the Securities Laws to qualify the distribution (or distribution to the public, as the case may be) of the Subscription Shares in each of the Designated Provinces.
- 13 Other than as contemplated in the AMF Relief, no documents will be required to be filed, proceedings taken or approvals, permits, consents or authorizations obtained under Securities Laws in connection with the first trade of the Subscription Shares through persons registered under the Securities Laws in compliance therewith, provided that the trade is not a control distribution as defined in Multilateral Instrument 45-102.
- 14 Computershare Trust Company of Canada, at its principal offices in Montréal, has been duly appointed as the registrar and transfer agent for the Common Shares.
- 15 The form and terms of the certificates evidencing the Common Shares meet all legal requirements under Part IA of the *Companies Act* (Québec) and the rules of the Exchange and have been duly approved by the Corporation.

D-1

SCHEDULE "D"
AMF DECISION DOCUMENT

10 pages including this page

[Omitted]

SCHEDULE "E"

LIST OF LICENSED INTELLECTUAL PROPERTY

[Omitted for confidentiality and competition reasons]