

SUBSCRIPTION AGREEMENT

October 27, 2011

Medicago Inc.
1020 route de l'Église
Suite 600
Sainte-Foy, Québec G1V 3V9

Attention: Mr. Pierre Labbé, Vice-President and Chief Financial Officer

Dear Sirs:

Medicago Inc. (the "**Corporation**") has completed, on September 27, 2011, the issuance, on a private placement basis, of 38,462,600 common shares of the Corporation at a price of \$0.65 per Offered Shares (the "**Issue Price**") for gross proceeds of approximately \$25,000,000 (the "**Offering**").

Philip Morris Investments B.V., legal successor to Philip Morris Participations B.V. ("**PM Investments**") benefits from a preemptive right (the "**Preemptive Right**") under a certain Representation Right and Preemptive Right Agreement dated October 21, 2008 and filed on SEDAR (the "**PM Investments Agreement**") and has indicated to the Corporation, on October 6, 2011, that it will exercise such right in connection with the Offering to acquire 34,550,000 Common Shares, in two tranches of 17,350,000 and 17,200,000 Common Shares, respectively, at the Issue Price for aggregate proceeds of \$22,457,500 pursuant to the terms of this Agreement.

Section 1.1 Definitions and Interpretation

- (1) Where used in this Agreement, or in any amendment to this Agreement, the following terms will have the following meanings, respectively:
 - (a) "**affiliate**" or "**associate**" when used to indicate a relationship with a person or company, has the same meaning ascribed thereto in the *Securities Act* (Québec) as if the word "company" was therein changed to "Person";
 - (b) "**AMF**" means l'Autorité des marchés financiers;
 - (c) "**Business**" means the business of developing vaccines or other pharmaceutical products based on proprietary manufacturing technologies and virus-like particles, currently carried on and proposed to be carried on by the Corporation and its Subsidiaries after each Closing Date;
 - (d) "**Business Day**" means a day other than a Saturday, a Sunday or a day on which chartered banks are not open for business in Montreal, Québec or Lausanne, Switzerland;

- (e) “**Claims**” and individually a “**Claim**” means losses or damages (other than losses of profit), claims, actions, suits, proceedings, liabilities, costs and expenses, including all amounts paid in settlement of any actions, suits, proceedings or to satisfy judgments or awards, and all reasonable fees, disbursements and taxes of counsel in connection with: (i) any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party; or (ii) the Indemnified Party enforcing its rights of indemnification or contribution under this agreement;
- (f) “**Closing Date**” means the Tranche I Closing Date or the Tranche II Closing Date as the case may be;
- (g) “**Closing Time**” means 8:30 a.m. (Montreal time) on each Closing Date, or any other time on each Closing Date as agreed to by the Corporation and PM Investments;
- (h) “**Common Shares**” means common shares of the Corporation;
- (i) “**Continuous Disclosure Documents**” means all of the information and documents filed by the Issuer or on its behalf with the Securities Commissions pursuant to the requirements of the Securities Laws as at the date hereof, including: (i) the Financial Statements; (ii) the proxy solicitation circular of the Issuer dated April 26, 2011; (iii) the annual information form of the Issuer dated March 29, 2011; (iv) the material change report of the Issuer dated April 5, 2011; and (v) the press releases dated April 6, 2011 (relating to the research collaboration agreement with a top 10 global pharmaceutical company), May 26, 2011 (relating to the research collaboration agreement with the U.S. Army Medical Research Institute of Infectious Diseases), June 8, 2011 (relating to the results from a U.S. Phase I human clinical trial for the Corporation’s seasonal influenza vaccine candidate), June 21, 2011 (relating to the receipt of a third milestone payment of US\$5.6 million from DARPA), June 30, 2011 (relating to the results from a Phase II human clinical trial for the Corporation’s H5N1 Avian Influenza VLP Vaccine candidate), September 27, 2011 (regarding the completion of the Offering) and October 12, 2011, (regarding the completion of the first stage collaboration with a top 10 global pharmaceutical company).
- (j) “**Corporation**” as the meaning ascribed to it in the first paragraph of this Agreement;
- (k) “**Corporation IP**” means all Intellectual Property owned by or licensed by or purported to be owned or licensed by the Corporation and its Subsidiaries;
- (l) “**DARPA**” means the Defense Advanced Research Projects Agency;
- (m) “**DARPA Agreement**” means the Technology Investment Agreement dated August 9, 2010 entered between Medicago USA Inc. and DARPA;

- (n) “**Defending Party**” as the meaning set forth in Section 7.1(5);
- (o) “**Direct Claim**” as the meaning set forth in Section 7.1(3)(a);
- (p) “**distribution**” means distribution or distribution to the public, as the case may be, for the purposes of the Securities Laws or any of them;
- (q) “**Environmental Laws**” has the meaning given to that term in Section 3.1(1)(ss);
- (r) “**Financial Statements**” means the annual and interim financial statements of the Corporation for the periods ended December 31, 2010, March 31, 2011 and June 30, 2011, including the notes thereto together with the report of PricewaterhouseCoopers LLP, Chartered Accountants, on the audited financial statements as at and for the periods included therein;
- (s) “**including**” means including without limitation;
- (t) “**Indemnified Party**” as the meaning set forth in Section 7.1(3)(a);
- (u) “**Indemnifying Party**” as the meaning set forth in Section 7.1(3)(a);
- (v) “**Intellectual Property**” means, collectively, all intellectual property rights owned by or exclusively licensed to the Corporation which pertain to the Business, products and technology of the Corporation as it is currently conducted of whatsoever nature, kind or description, including all: (i) trademarks, service marks, trade-mark and service mark registrations, trade-mark and service mark applications, rights under registered user agreements, trade names and other trade-mark and service mark rights; (ii) copyrights and applications therefore, including all computer software and rights related thereto; (iii) all foreign and domestic patents and patent applications (including all provisional, divisional, substitution, continuation and continuation in-part applications, and all foreign counterparts thereof) and all foreign and domestic patents (including extensions, reissues, re-examinations, renewals, inventors certificates and foreign counterparts thereof); (iv) preclinical and clinical data and results; (v) trade secrets and proprietary and confidential information; (vi) industrial designs and registrations thereof and applications therefore; (vii) renewals, modifications, developments and extensions of any of the items listed in clauses (i) through (vi) above; and (viii) patterns, plans, designs, research data, other proprietary know-how, processes, drawings, technology, inventions, formulae, specifications, performance data, quality control information, unpatented blue prints, flow sheets, equipment and parts lists, instructions, manuals, records and procedures, and all licenses, agreements and other contracts and commitments relating to any of the foregoing;
- (w) “**Issue Price**” has the meaning ascribed to that term in the first paragraph of this Agreement;

- (x) “**lien**” means any mortgage, charge, pledge, hypothec, prior claim, security interest, assignment lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature, including any arrangement or condition which, in substance, secures payment or performance of an obligation;
- (y) “**Losses**” in respect of any matter, means all claims, demands, proceedings, losses, damages, liabilities, deficiencies, costs and expenses (including, without limitation, all reasonable legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) arising directly or indirectly as a consequence of such matter;
- (z) “**Material Adverse Effect**” or “**Material Adverse Change**” means any effect or change in the affairs of the Corporation, its Subsidiaries or the Business, taken as a whole, that is or is reasonably likely to be materially adverse to the results of operations, financial condition, assets, properties, capital, liabilities (contingent or otherwise), obligations, cash flow, income, affairs, business operations or prospects of any of the Corporation, its Subsidiaries or the Business, taken as a whole and as a going concern, or that is materially adverse to the completion of the transactions contemplated by this Agreement, taken as a whole;
- (aa) “**Material Change**” means a change in the business, operations, affairs, securities or capital of the Corporation, its Subsidiaries or the Business that significantly affects, or that would reasonably be expected to have a significant effect on the market price or value of any securities of the Corporation and includes a decision to implement such a change made by the directors of the Corporation or by senior management of the Corporation who believed that confirmation of the decision by the directors of the Corporation is probable;
- (bb) “**Material Fact**” means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of any securities of the Corporation;
- (cc) “**misrepresentation**” has the meaning given to that term in the applicable Securities Laws;
- (dd) “**New Facility Lease Agreement**” means the lease agreement dated August 10, 2010 between Medicago USA Inc. and ARE-NC Region No. 6, LLC;
- (ee) “**NI 45-102**” means National Instrument 45-102 – *Resale of Securities* adopted by the Securities Commissions and referred to in Québec as *Regulation 45-102 respecting Resale of Securities*;
- (ff) “**NI 45-106**” means National Instrument 45-106 – *Prospectus and Registration Exemptions* adopted by the Securities Commissions and referred

to in Québec as *Regulation 45-106 respecting Prospectus and Registration Exemptions*;

- (gg) “**Offered Shares**” means the Tranche I Shares and the Tranche II Shares;
- (hh) “**Offering**” has the meaning ascribed to that term in the first paragraph of this Agreement;
- (ii) “**Person**” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or any other entity however designated or constituted;
- (jj) “**PM Investments**” as the meaning ascribed to that term in the second paragraph of this Agreement;
- (kk) “**PM Investments Agreement**” has the meaning ascribed to that term in the second paragraph of this Agreement;
- (ll) “**Preemptive Right**” has the meaning ascribed to that term in the second paragraph of this Agreement;
- (mm) “**Prospectus Exemptions**” means the offer and sale of the Offered Shares in a manner exempt from the Prospectus Requirements under the Securities Laws of the Qualifying Jurisdictions and any other jurisdictions where PM Investments reside, without the necessity of obtaining any order or ruling of any Securities Commissions;
- (nn) “**Prospectus Requirement**” means the requirement in securities legislation that prohibits a Person from distributing a security unless a preliminary prospectus and prospectus for the security have been filed and the Securities Commissions have issued receipts for them;
- (oo) “**Qualifying Jurisdictions**” means the provinces of British Columbia, Alberta, Québec and Ontario;
- (pp) “**Securities Commissions**” means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions;
- (qq) “**Securities Laws**” means, collectively, the applicable securities laws of each of the Qualifying Jurisdictions and the respective regulations and rules made under those securities laws together with all applicable published policy statements, blanket orders and rulings of the Securities Commissions and all published discretionary orders or rulings, if any, of the Securities Commissions made in connection with the transactions contemplated by this Agreement and the securities legislation and published policies of each other

relevant jurisdiction together with applicable published policy statements of the Canadian securities administrators and the securities laws of each other relevant jurisdiction where the Offered Shares are permitted to be sold under this Agreement;

- (rr) “**SEDAR**” means the System for Electronic Document Analysis and Retrieval;
 - (ss) “**Standard Listing Conditions**” has the meaning given to that term in Section 5.1(e);
 - (tt) “**Subsidiaries**” means Medicago Europa S.A.S., Medicago R&D Inc., 9177-4083 Québec Inc., 9177-4265 Québec Inc., Medicago USA Inc. and Fiducie Financière Medicago;
 - (uu) “**Tranche I Closing Date**” means October 27, 2011 or such other date as may be agreed to in writing by the Corporation and PM Investments;
 - (vv) “**Tranche I Shares**” means 17,350,000 Common Shares to be issued by the Corporation to PM Investments on the Tranche I Closing Date;
 - (ww) “**Tranche II Closing Date**” means the date as agreed which is no later than 3 Business Days following the special meeting of shareholders of the Corporation called to approve the issuance of the Tranche II Shares;
 - (xx) “**Tranche II Shares**” means 17,200,000 Common Shares to be issued by the Corporation to PM Investments on the Tranche II Closing Date;
 - (yy) “**Transfer Agent**” means Computershare Investor Services Inc. the duly appointed transfer agent and registrar of the Common Shares;
 - (zz) “**Third Party Claim**” as the meaning set forth in Section 7.1(4);
 - (aaa) “**TSX**” means the Toronto Stock Exchange;
 - (bbb) “**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
 - (ccc) “**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended.
- (2) The words “Agreement”, “hereof”, “herein”, “hereunder”, “hereto” and similar phrases mean and refer to this agreement.
 - (3) All dollar amounts in this Agreement are expressed in Canadian currency.
 - (4) The division of this Agreement into Sections and the insertion of headings is for convenience of reference only and shall not affect the construction or interpretation

hereof. Any reference in this Agreement to a section, paragraph, subsection, subparagraph, clause or subclause will refer to a section, paragraph, subsection, subparagraph, clause or subclause of this Agreement.

- (5) All words and personal pronouns relating to those words will be read and construed as the number and gender of the party or parties referred to in each case required and the verb will be construed as agreeing with the required word and/or pronoun.

Section 2.1 Subscriptions

PM Investments hereby irrevocably agrees to purchase from the Corporation the Offered Shares and the Corporation irrevocably agrees to issue from treasury the Offered Shares to PM Investments with the Tranche I Shares being purchased on the Tranche I Closing Date and the Tranche II Shares being purchased on the Tranche II Closing Date, on the terms and conditions set forth herein.

Section 2.2 Representations and Warranties of PM Investments

By executing this Agreement, PM Investments represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its counsel are relying thereon) that:

- (1) it has been independently advised as to restrictions with respect to trading in the Offered Shares imposed by applicable Securities Laws in the jurisdiction in which it resides, confirms that no representation has been made to it by or on behalf of the Corporation with respect thereto, acknowledges that it is aware of the characteristics of the Offered Shares and the risks relating to an investment therein, and that it may not be able to resell the Offered Shares until the expiration of the applicable hold period except in accordance with limited exemptions under applicable Securities Laws and it agrees that any certificates representing the Offered Shares will bear a legend in accordance with applicable Securities Laws;
- (2) it acknowledges that it is solely responsible (and that the Corporation is not responsible whatsoever) for compliance with applicable resale restrictions, it further understands that it has been advised to consult its own legal counsel in its jurisdiction of residence, or to which it is otherwise subject for full particulars of resale restrictions applicable to it;
- (3) except for (i) a patent portfolio list and (ii) a copy of the due diligence questionnaire and the Corporation's written answers to questions 16 and 17 of the due diligence session held in September 23, 2011 in connection with the Offering delivered by the Corporation to PM Investments prior to the execution of this Agreement, it has not received, nor has it requested, nor does it have any need to receive, any prospectus, sales or advertising literature, offering memorandum or any other document describing the business and affairs of the Corporation which has been prepared for delivery to, and review by, PM Investments in order to assist it in making an

- investment decision in respect of the Offered Shares, and it has not become aware of any advertisement in printed public media, radio, television or telecommunications, including electronic display such as the Internet with respect to the distribution of the Offered Shares;
- (4) except for (i) a patent portfolio list and (ii) a copy of the due diligence questionnaire and the Corporation's written answers to questions 16 and 17 of the due diligence session held in September 23, 2011 in connection with the Offering delivered by the Corporation to PM Investments prior to the execution of this Agreement, it has relied solely upon publicly available information relating to the Corporation and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation except as expressly set forth herein;
 - (5) PM Investments is: (i) purchasing as principal a sufficient number of Common Shares such that the aggregate acquisition cost of such Common Shares is at least one hundred and fifty thousand dollars (\$150,000) paid in cash on each Closing Date; and (ii) not a person created or used solely to purchase or hold securities in reliance on the prospectus exemption set out in section 2.10 of NI 45-106;
 - (6) it acknowledges that:
 - (a) no prospectus has been filed with any Securities Regulator in connection with the Offering and no Securities Commission has reviewed or passed on the merits of the Offered Shares;
 - (b) there is no government or other insurance covering the Offered Shares;
 - (c) there are restrictions on PM Investments' ability to resell the Offered Shares and it is the responsibility of PM Investments to find out what those restrictions are and to comply with them before selling any of the Offered Shares;
 - (d) the Corporation has advised PM Investments that the Corporation is relying on an exemption from the requirement to provide PM Investments with a prospectus under the applicable Securities Laws and, as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by applicable Securities Laws, including statutory rights of rescission or damages, will not be available to PM Investments;
 - (e) **AN INVESTMENT IN THE OFFERED SHARES INVOLVES A HIGH DEGREE OF RISK AND PM INVESTMENTS MAY LOSE ITS ENTIRE INVESTMENT;**
 - (f) the Corporation may complete additional financings in the future in order to develop the Business and fund its ongoing development, and such future financings may have a dilutive effect on current shareholders or securityholders of the Corporation, including PM Investments and if such

future financings are not available, the Corporation may be unable to fund its ongoing development;

- (g) the offer, issuance, sale and delivery of the Offered Shares is conditional upon such sale being exempt from the requirements to file a prospectus or to deliver an offering memorandum in connection with the distribution of the Offered Shares under the Securities Laws or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement to file a prospectus or deliver an offering memorandum;
 - (h) except as expressly set forth herein, in purchasing the Offered Shares, PM Investments has not relied upon any verbal or written representation, including any investor presentation delivered to PM Investments, as to any fact or representation otherwise made by or on behalf of the Corporation or any of its employees, agents or affiliates or any other Person associated therewith; and
 - (i) the Corporation's counsel is acting as counsel to the Corporation and not as counsel to PM Investments;
- (7) it is aware that the Offered Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and that these securities may not be offered or sold in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and the applicable laws of all applicable states of the United States and acknowledges that the Corporation has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Offered Shares;
- (8) it is not a "U.S. Person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or company organized or incorporated under the laws of the United States) and is not acquiring the Offered Shares for the account or benefit of a U.S. Person or a Person in the United States;
- (9) the Offered Shares have not been offered to PM Investments in the United States, and the individuals making the order to purchase the Offered Shares and executing and delivering this Agreement on behalf of PM Investments were not in the United States when the order was placed or when this Agreement was executed or delivered;
- (10) it undertakes and agrees that it will not offer or sell the Offered Shares in the United States unless such Offered Shares are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell the Offered Shares except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;

- (11) this Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of PM Investments;
- (12) **IT HAS SUCH KNOWLEDGE IN FINANCIAL AND BUSINESS AFFAIRS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF ITS INVESTMENT AND IT IS ABLE TO BEAR THE ECONOMIC RISK OF A LOSS OF ITS INVESTMENT;**
- (13) it does not act jointly or in concert with any other subscriber in the Offering for the purpose of the acquisition of the Offered Shares;
- (14) if required by applicable Securities Laws, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, PM Investments will execute, deliver, file and otherwise assist the Corporation or PM Investments in filing, such reports, undertakings and other documents with respect to the issue of the Offered Shares, provided that the Corporation will pay the filing fees;
- (15) the entering into of this Agreement and the transactions contemplated hereby will not result in a violation of any of the terms or provisions of any law applicable to PM Investments or any agreement to which PM Investments is a party or by which it is bound, or any of PM Investments' constating documents;
- (16) PM Investments has obtained independent legal and investment advice with respect to its subscription for the Offered Shares and has been independently advised as to the meanings of all terms contained herein relevant to PM Investments for purposes of giving representations, warranties and covenants under this Agreement. PM Investments is not relying on the Corporation, its affiliates or counsel in giving any such representation warranties and covenants;
- (17) it acknowledges and confirms that no representation has been made to it with respect to the future value or price of any of the Offered Shares;
- (18) it acknowledges that all certificates representing the Offered Shares will bear the following restrictive legends required by applicable Securities Laws:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE <INSERT DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER CLOSING DATE>.”

- (19) the funds which will be transferred by PM Investments to the Corporation hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) Act* (Canada) (the “PCMLA”) and *Terrorist Financing Act* (Canada) and PM Investments acknowledges that the Corporation may in the future be required by law to disclose PM Investments' name and other information relating

to this Agreement and PM Investments' subscription hereunder, on a confidential basis, pursuant to the PCMLA. To the best of the knowledge of PM Investments, none of the subscription funds to be provided by PM Investments: (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United States, or any other jurisdiction; or (ii) are being tendered on behalf of a Person or entity who has not been identified to PM Investments. PM Investments shall promptly notify the Corporation if PM Investments discovers that any of such representations ceases to be true, and will provide the Corporation with appropriate information in connection therewith;

- (20) PM Investments has not received, nor does it expect to receive any financial assistance from the Corporation, directly or indirectly, in respect of PM Investments' purchase of Offered Shares; and
- (21) the representations, warranties and covenants of PM Investments herein are made with the intent that they be relied upon in determining the suitability of a purchaser of Offered Shares and are true and correct at the date of this Agreement and will be true and correct at each Closing Time and will survive the completion of the issuance of the Offered Shares. PM Investments undertakes to immediately notify the Corporation of any change in any statement or other information relating to PM Investments set forth herein which takes place prior to each Closing Time.

Section 3.1 Representations and Warranties and Covenants of the Corporation

- (1) The Corporation represents and warrants as follows to PM Investments, and acknowledges that PM Investments is relying upon such representations and warranties in connection with its execution and delivery of this Agreement and the completion of the Offering:
 - (a) each of the Corporation and its Subsidiaries is, and will be at any Closing Date, validly subsisting under the laws of its governing jurisdiction, and has and will at each Closing Date have all requisite corporate power and authority to own, lease and operate its properties and assets and conduct its business as currently conducted; the Corporation has and will have at each Closing Date all requisite corporate power and authority to enter into this Agreement and carry out its obligations hereunder, and to issue, sell and deliver the Offered Shares, in accordance with the provisions of this Agreement; each of the Corporation and its Subsidiaries is current with all material filings required to be made under the laws of Canada and the Province of Québec and all other jurisdictions in which it exists or carries on any material business and has all necessary licences, leases, permits, authorizations and other approvals necessary to permit it to conduct its business as it is currently conducted, except where the absence of such power and authority or failure to make any filing or obtain any license, lease, permit, authorization or other approval would not have a Material Adverse Effect, and all such licences, leases,

permits, authorizations and other approvals are in full force and effect in accordance with their terms except where the failure to so maintain such licences, leases, permits, authorizations or other approvals would not have a Material Adverse Effect;

- (b) except as contemplated in its Continuous Disclosure Documents, there are no agreements, options, warrants, rights of conversion or other rights pursuant to which the Corporation is, or may become obligated to issue or transfer any securities (including debt securities) or any securities convertible or exchangeable, directly or indirectly, into any of its securities;
- (c) other than as set out in its Continuous Disclosure Documents, to the best knowledge of the Corporation after due inquiry, no agreement, will be in force or effect at each Closing Date which in any manner affects the voting or control of any of the securities of the Corporation;
- (d) the authorized capital of the Corporation consists of an unlimited number of Common Shares of which, as of the date hereof, 212,000,302 Common Shares are issued and outstanding as fully paid and non-assessable shares in the capital of the Corporation, and other than as disclosed in its Continuous Disclosure Documents, as of the date hereof, no options to acquire Common Shares are issued and outstanding and, other than as disclosed in its Continuous Disclosure Documents, no Person has any agreement, option, right or privilege (whether pre-emptive, contractual or otherwise) capable of becoming an agreement for purchase, acquisition, subscription or issuance of any unissued Common Shares or other securities of the Corporation;
- (e) the Corporation has no subsidiaries within the meaning of the *Business Corporations Act* (Québec) other than 9177-4083 Québec Inc. and Medicago USA Inc. The Corporation does not beneficially own, or exercise control or direction over, outstanding voting shares of any company other than the Subsidiaries. The Corporation exercises control or direction over all of the outstanding voting shares of the Subsidiaries. The Corporation beneficially owns, directly or indirectly all of the issued and outstanding shares in the capital of 9177-4083 Québec Inc. and Medicago USA Inc. and, together with the shares of the Subsidiaries, such shares are free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, with the exception of the moveable hypothec granted to Investissement Québec. All shares or units, as the case may be, of the Subsidiaries have been duly authorized and validly issued and are outstanding as fully paid and non-assessable shares or units, as the case may be, and no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the purchase from the Corporation or the Subsidiaries of any interest in any of such shares or units, as the case may be, or for the issue of any unissued shares or units, as the case may be, in the capital of the Subsidiaries or any

other security convertible into or exchangeable for any such shares or units, as the case may be;

- (f) neither the Corporation nor the Subsidiaries are: (i) in breach or violation of any of the terms or provisions of, or in default under (whether after notice or lapse of time or both) any indenture, mortgage, deed of trust, loan agreement or other agreement (written or oral) or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, which breach or violation or the consequences thereof would, alone or in the aggregate, have a Material Adverse Effect; or (ii) in violation of the provisions of its articles, by-laws or resolutions or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its properties, which violation or the consequences thereof would, alone or in the aggregate, have a Material Adverse Effect;
- (g) other than such agreements or instruments which will terminate or be discharged, as applicable, or for such agreements pursuant to which the consent of the other contracting party will be obtained simultaneously with or prior to each Closing Time, the execution and delivery of this Agreement and the issue, sale and delivery of the Offered Shares, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under (whether after notice or lapse of time or both), any indenture, mortgage, deed of trust, loan agreement, lease or other agreement (written or oral) or instrument to which the Corporation or the Subsidiaries is a party or by which it is bound or to which any of its property or assets is subject, other than any breach or violation or the consequences thereof which would, alone or in the aggregate, not have a Material Adverse Effect on the Corporation, on a consolidated basis, nor will such action conflict with or result in any violation of the provisions of the articles, by-laws or resolutions of the Corporation or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its properties which violation or the consequences thereof would, alone or in the aggregate, have a Material Adverse Effect on the Corporation as a whole;
- (h) except as provided in the “Offre de prêt” with Investissement Québec of July 28, 2003, as amended thereafter, no consent, approval, authorization, order, registration or qualification of or with any person, court or governmental agency or body is required for execution and delivery of this Agreement and the issuance of the Offered Shares by the Corporation;
- (i) the sale and delivery of the Offered Shares was not accompanied by an advertisement of the Offered Shares;
- (j) assuming the accuracy of the representations and warranties of PM Investments hereunder, the offer, sale, issuance and delivery of the Offered Shares are exempt from the prospectus requirements of the relevant Securities

Laws, and are exempt from or not subject to the registration requirements of the U.S. Securities Act and any applicable United States state securities laws;

- (k) the Offered Shares issued at each Closing Time will not be subject to any statutory hold period under the Securities Laws other than a four month hold period from the date of the issuance of the Offered Shares;
- (l) the Corporation shall use reasonable commercial best efforts to maintain the listing of the Common Shares on the TSX and its status as a reporting issuer (or the equivalent) in good standing in each of the Qualifying Jurisdictions under the Securities Laws;
- (m) the Corporation has not provided to PM Investments a prospectus or offering memorandum as defined in the Securities Laws or similar document in connection with the sale of the Offered Shares;
- (n) the Common Shares to be issued by the Corporation and all other outstanding Common Shares of the Corporation have been duly authorized for issuance and, when certificates for such Common Shares are countersigned by the Transfer Agent, those Common Shares will be validly issued as fully paid and non-assessable Common Shares in the capital of the Corporation and will not have been issued in violation of or subject to any pre-emptive rights or other contractual rights to purchase securities issued by the Corporation;
- (o) the definitive form of certificate representing the Common Shares is in proper form under the laws of Québec and complies in all material respects with the requirements of the TSX and does not conflict with the constating documents of the Corporation;
- (p) no order ceasing or suspending trading of the securities of the Corporation (except at the request of the Corporation and as approved by PM Investments), prohibiting the sale of such securities or preventing the use of the Prospectus Exemptions has been issued to the Corporation and is outstanding and, to the knowledge of the Corporation, no investigations or proceedings for such purposes are pending or threatened;
- (q) the Corporation is a reporting issuer or the equivalent in good standing under the Securities Laws of the Qualifying Jurisdictions;
- (r) the Corporation is in compliance, in all material aspects, with its timely disclosure obligations under Securities Laws of each of the Qualifying Jurisdictions;
- (s) there is not, in the constating documents of the Corporation or in any material agreement, mortgage, note, debenture, indenture or other instrument or document to which the Corporation is a party (other than the “Offre de prêt” with Investissement Québec of July 28, 2003, as amended thereafter), any restriction upon or impediment to the declaration or payment of dividends by

the directors of the Corporation or the payment of dividends by the Corporation to the holders of its Common Shares;

- (t) there are no legal or governmental actions, proceedings or investigations pending or, to the best of the Corporation's knowledge, contemplated or threatened against the Corporation or the Subsidiaries, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board or agency, domestic or foreign, which: (i) would, in any way, have a Material Adverse Effect; or (ii) questions the validity of the issuance, sale or delivery of the Offered Shares or the validity of any action taken or to be taken by the Corporation pursuant to or in connection with this Agreement;
- (u) all necessary corporate action has been taken by the Corporation to authorize the execution, delivery and performance of this Agreement;
- (v) none of the Corporation, the Subsidiaries nor, to the best of the Corporation's knowledge, any other party to any agreement or instrument is in material default in the observance or performance of any term or obligation to be performed by it under any such agreement or instrument to which the Corporation or the Subsidiaries is a party and no event has occurred which with notice or lapse of time or both would constitute such a default on the part of the Corporation or the Subsidiaries, in any such case which default or event would have a Material Adverse Effect;
- (w) this Agreement has been duly and validly executed and delivered by the Corporation, constitutes a valid and binding obligation of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights of creditors generally, and except as limited by the application of equitable principles when equitable remedies are sought and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;
- (x) each of the Corporation and the Subsidiaries is the beneficial owner of all its respective properties, business and assets or of the interests in its respective properties, business or assets, and all agreements under which the Corporation or the Subsidiaries hold an interest in a property, business or asset are in good standing according to their terms except where the failure to be in such good standing does not and will not have a Material Adverse Effect;
- (y) the Corporation will apply the net proceeds from the issue and sale of the Offered Shares to continue the development of its influenza vaccines and expand the pipeline with new products;

- (z) neither the Corporation nor the Subsidiaries has received notice from any governmental or regulatory authority of any jurisdiction in which it carries on a material part of its business, or owns or leases any material property, of any restriction on its ability to or of a requirement for it to qualify to, nor is it otherwise aware of any restriction on its ability to or of a requirement for it to qualify to, conduct its business in such jurisdiction, except such qualifications as have been satisfied or that would not result in a Material Adverse Effect;
- (aa) Computershare Investor Services Inc. at its principal office in Montreal has been duly appointed as the Transfer Agent for the Common Shares;
- (bb) the Continuous Disclosure Documents, as of their respective dates, do not contain any misrepresentation; Subsequent to the respective dates as of which information is given in the Continuous Disclosure Documents: (i) there has not been any Material Change or change in a Material Fact (actual, proposed, threatened or contemplated); (ii) there has not been any adverse Material Change in the consolidated financial position of the Corporation; and (iii) there has been no material transaction entered into by the Corporation or the Subsidiaries, other than those in the ordinary course of business;
- (cc) the Corporation and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; and (iii) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;
- (dd) the Financial Statements of the Corporation:
 - (i) have been prepared in accordance with Canadian generally accepted accounting principles or, as the case may be, International Financial Reporting Standards applied on a basis consistent with those of preceding fiscal periods;
 - (ii) present fully, fairly and correctly, in all material respects, the assets, liabilities and financial condition of the Corporation and the results of its operations and the changes in its financial position for the periods then ended;
 - (iii) are in accordance with the books and records of the Corporation;
 - (iv) contain and reflect all necessary material adjustments for a fair presentation of the results of operations and the financial condition of the business of the Corporation for the periods covered thereby; and
 - (v) contain and reflect adequate provision or allowance for all reasonably anticipated liabilities, expenses and losses of the Corporation;

- (ee) the auditors of the Corporation who audited the Financial Statements, as the case may be, and who provided their respective audit report thereon are independent public accountants as required under Securities Laws, are a “participating audit firm” (within the meaning of *Regulation 52-108 respecting Auditor Oversight* (Québec) of the Securities Commission) and are in compliance with any restriction or sanction imposed by the Canadian Public Accountability Board;
- (ff) there has never been a reportable disagreement (within the meaning of *Regulation 51-102 respecting Continuous Disclosure Obligations* (Québec)) between the Corporation and its present or former auditors;
- (gg) each of the Corporation and the Subsidiaries has filed all federal, provincial, state, local and foreign tax returns that are required to be filed at such time or have requested extensions thereof (except in any case in which the failure so to file would not have a Material Adverse Effect) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith;
- (hh) each of the Corporation and the Subsidiaries has established on its books and records reserves that are adequate for the payment of all taxes not yet due and payable and to the best of the Corporation’s knowledge, there are no liens for taxes on the assets of the Corporation or the Subsidiaries and there are no audits known by the Corporation’s management to be pending on the tax returns of the Corporation or the Subsidiaries (whether federal, state, provincial, local or foreign) and there are no claims which have been asserted relating to any such tax returns, which audits and claims, if determined adversely, would result in the assertion by any governmental agency of any deficiency that would have a Material Adverse Effect;
- (ii) no domestic or foreign taxation authority has asserted or, to the best of the Corporation’s knowledge, 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 the Subsidiaries (including, without limitation, any predecessor companies) filed over the last three years which would have a Material Adverse Effect;
- (jj) to the best of the Corporation’s knowledge, the minute books and records of the Corporation and its Subsidiaries, copies of which were made available to counsel for PM Investments in connection with its due diligence investigation of the Corporation and its Subsidiaries, for the periods from its date of incorporation to the date of examination thereof are all of the minute books and records of the Corporation and its Subsidiaries and contain copies of all proceedings of the shareholders, the boards of directors and all committees of the boards of directors of the Corporation and its Subsidiaries to the date of

review of such corporate records and minute books and there have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committees of the boards of directors of the Corporation or its Subsidiaries to the date of review of such corporate records and minute books not reflected in such minute books and other records;

- (kk) other than the Subsidiaries, the Corporation does not own, directly or indirectly, or exercise control or direction over, and has not agreed to acquire outstanding securities of any other corporation or options to acquire securities of any other corporation, other than marketable securities held in the ordinary course of business, or a participating interest in any Person;
- (ll) none of the directors or officers of the Corporation or any associate or affiliate of the foregoing has, or to the knowledge of the Corporation, intends to have, any interest, direct or indirect, in any transaction or any proposed transaction with the Corporation which would materially affect, is material to or will materially affect the Corporation;
- (mm) the Corporation is not aware of any legislation, or proposed legislation (published by a legislative body), which it anticipates will have a Material Adverse Effect;
- (nn) each of the Corporation and the Subsidiaries is in compliance with all laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where such non-compliance would not have a Material Adverse Effect;
- (oo) the Corporation does not have any loans or other indebtedness outstanding, outside the normal course of business, which has been made to any of its respective shareholders, officers, directors or employees, past or present, or any person not dealing at arm's length with them;
- (pp) except as publicly disclosed in respect of PM Investments, none of the directors, officers or employees of the Corporation, any known holder of more than ten percent (10%) of any class of securities of the Corporation, or any known associate or affiliate of any of the foregoing persons or companies, has had any material interest, direct or indirect, in any material transaction within the previous two years or any proposed material transaction which, as the case may be, is material to or will materially affect the Corporation;
- (qq) with respect to the premises which the Corporation or the Subsidiaries occupies as tenant, the Corporation or the Subsidiaries, as the case may be, occupies such leased premises and has the exclusive right to occupy and use the leased premises and the leases pursuant to which the Corporation or the Subsidiaries, as the case may be, occupies the leased premises are in good standing in all material respects and in full force and effect;

- (rr) each of the Corporation and the Subsidiaries is insured against such losses and risks and in such amount as are customary in the business in which it is engaged. All policies of insurance insuring the Corporation, the Subsidiaries or any of their respective businesses, assets, employees, officers and directors are in full force and effect, and the Corporation and the Subsidiaries are in compliance with the terms of such policies in all material respects. There are no material claims by the Corporation or the Subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause and that would result in a Material Adverse Effect;
- (ss) each of the Corporation and the Subsidiaries, in all material respects: (i) is in compliance with any and all applicable federal, provincial and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”); (ii) has received all permits, licences or other approvals required under applicable Environmental Laws to conduct its business; and (iii) is in compliance with all terms and conditions of any such permit, license or approval, and there have been no past, and there are no pending or, to the best of the Corporation’s knowledge, threatened claims, complaints, notices or requests for information received by the Corporation or the Subsidiaries with respect to any alleged material violation of any Environmental Law and no conditions exist which, with the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Law; except, in each case, other than those that would not have a Material Adverse Effect;
- (tt) the Corporation and its Subsidiaries own, or have obtained valid and enforceable licences for, or other sufficient rights to use, all the Intellectual Property that is material to the conduct of its Business, as currently conducted and as currently proposed to be conducted including, without limitation, all Intellectual Property used and required for the development, manufacture, testing and commercialization of its influenza vaccine candidate. Moreover, except with respect to the license rights granted to PM Investments under the research and license agreement effective October 21, 2008 or the rights granted to DARPA under the DARPA Agreement, the Corporation will be the sole owner or exclusive licensee (in the field of influenza vaccine) of any new Intellectual Property developed from the Corporation IP. No royalties are payable in connection with any future sale of products currently being developed by the Corporation and its Subsidiaries, including the influenza vaccine candidate, save for the royalties payable to Plant Bioscience Limited under the Commercial Licence Agreement dated January 1, 2009. The Corporation is not dependent on the technology licensed under such agreement and is of the opinion that it will have access to alternative technologies without incurring substantial delays and costs. The Corporation has no knowledge that the Corporation or its Subsidiaries will be unable to obtain any rights or licences to use all Intellectual Property necessary for the

conduct of their respective Businesses. Except for the license rights granted to PM Investments under the research and license agreement effective October 21, 2008, the Investissement Québec security interest on the Intellectual Property (and the option and priority of PM Investments to purchase from Investissement Québec, the interest to the Bio-Levier loan granted by Investissement Québec to Medicago or the assets hypothecated by Medicago in favour of Investissement Québec following their acquisition by Investissement Québec as a result of the exercise of its hypothecary rights disclosed in the Corporation's management information circular dated October 15, 2008) or the rights granted to DARPA under the DARPA Agreement, the Corporation has no knowledge of third parties who have rights to or liens over any Corporation IP, except for the ownership rights of the owners of the Intellectual Property which is licensed to the Corporation. The execution and delivery of this Agreement and the Subscription Agreements by the Corporation will not result in the breach of, or create on behalf of any third party the right to terminate, impair or modify (i) any license, sublicense or other agreement relating to any Corporation IP that is material to the Business, as currently conducted and as currently proposed to be conducted, or (ii) any license, sublicense and other agreement as to which the Corporation is a party and pursuant to which the Corporation is authorized to use any third party Intellectual Property that is material to the Business, as currently conducted, and as currently proposed to be conducted or (iii) any right of the Corporation to develop, use, sell, or dispose of, or to bring any action for the infringement of any Corporation IP. To the best of the Corporation's knowledge, there is no infringement by third parties of any of the Corporation IP. There is no pending or, to the Corporation's knowledge, threatened action, suit, proceeding or claim by others challenging the Corporation's rights or any of the Subsidiaries' rights in or to any Corporation IP, and the Corporation is unaware of any facts which form a reasonable basis for any such action, suit, proceeding or claim. There is no pending or, to the best of the Corporation's knowledge, threatened action, suit, proceeding or claim by others challenging the validity or enforceability of any Corporation IP, and the Corporation is unaware of any finding of unenforceability or invalidity of the Corporation IP. There is no pending, or to the best of the Corporation's knowledge, threatened action, suit, proceeding or claim by others that the Corporation or any of the Subsidiaries infringes, misappropriates or otherwise violates (or would infringe, misappropriate or otherwise violate upon commercialization of the Corporation's product or product candidates) any Intellectual Property of others, and the Corporation is unaware of any facts which form a reasonable basis for any such action, suit, proceeding or claim. To the Corporation's knowledge, there is no patent or patent application by others that contains claims that interfere with the issued or pending claims of any of the Corporation IP. To the Corporation's knowledge, there is no prior art that necessarily renders any patent application owned by the Corporation or any of its Subsidiaries unpatentable that has not been disclosed to the United States Patent and Trademark Office and the Canadian equivalent;

- (uu) the Corporation and its Subsidiaries (or parties under contractual obligation to the Corporation and its Subsidiaries) holds and is in compliance with all licences, certificates, approvals and permits from all provincial, federal, state, United States, foreign and other regulatory authorities, including but not limited to Health Canada (“HC”), the Canadian Therapeutic Products Directorate (the “TPD”), the Plant Biosafety Office of the Canadian Food Inspection Agency (the “CFIA”), the U.S. Food and Drug Administration (“FDA”), the United States Department of Agriculture (the “USDA”) and any foreign regulatory authorities performing functions similar to those performed by HC, TPD, CFIA, FDA or the USDA, that are material to the conduct of the Business as currently conducted, all of which are valid and in full force and effect, and there is no proceeding pending or, to the Corporation’s knowledge, threatened which may cause any such license, certificate, approval or permit to be withdrawn, cancelled, suspended or not renewed. The Corporation is not, to its knowledge, in violation of any material law, order, rule, regulation, writ, injunction or decree of any court or governmental agency or body applicable to the investigation of new drugs in humans or animals or the cultivation, growing or processing of genetically modified organisms, including, but not limited to, those promulgated by HC, CFIA, FDA or USDA;
- (vv) the clinical, pre-clinical and other studies and tests conducted by or on behalf of or sponsored by the Corporation or its Subsidiaries or in which the Corporation or its Subsidiaries or its products or product candidates that are described in the Continuous Disclosure Documents of the Corporation have participated or the results of which are referred to in the Continuous Disclosure Documents of the Corporation were, to the knowledge of the Corporation, and if still pending are being, conducted in accordance with, as applicable, good clinical practice, good laboratory practices or scientific standards as appropriate for each particular study type. Each of the Corporation and its Subsidiaries is and has operated in compliance with all rules, regulations and policies of HC, TPD, CFIA, FDA or the USDA to the extent that the Corporation or a Subsidiary was or is required to. The Corporation or its Subsidiaries has not received any notices or other correspondence from any such agency requiring the termination, suspension or material modification or clinical hold of any clinical or pre-clinical studies or tests that are described in the Continuous Disclosure Documents of the Corporation or the results of which are referred to in the Continuous Disclosure Documents of the Corporation;
- (ww) the Corporation is not currently pursuing any material litigation against any person for any infringement, misappropriation or misuse of the Corporation IP;
- (xx) no proceedings have been taken, instituted or, to the knowledge of the Corporation, are pending, for the dissolution or liquidation of the Corporation or the Subsidiaries;

- (yy) there are no outstanding claims, actions, suits, litigation, arbitration, investigations or proceedings, whether or not purportedly on behalf of the Corporation, or, to the Corporation's knowledge, proposed or threatened in writing against the Corporation which, if determined adversely to the Corporation would have a Material Adverse Effect or which may restrict or prohibit the ability of the Corporation to perform its obligations hereunder;
 - (zz) none of the Corporation or any of its Subsidiaries, except Medicago USA Inc., has guaranteed the performance of any obligation of Medicago USA Inc. or shall be liable to any Person in the event of non-compliance with or breach of any obligation of Medicago USA Inc.;
 - (aaa) none of Medicago USA Inc. nor, to the best of the Corporation's knowledge, any other party to the DARPA Agreement or New Facility Lease Agreement is in default in the observance or performance of any term or obligation to be performed by it under the DARPA Agreement or New Facility Lease Agreement and no event has occurred which with notice or lapse of time or both would constitute such a default on the part of Medicago USA Inc.;
 - (bbb) the Corporation has validly granted a license to Medicago USA to use such of the Corporation IP necessary for the purposes of the DARPA Agreement;
 - (ccc) the facility described in the New Facility Lease Agreement is in operation since August 19, 2011 and the Corporation is not aware of any fact or event or situation that would or could cause any stoppage;
 - (ddd) there have been no change or amendment to the terms of the New Facility Lease Agreement or the DARPA Agreement since the respective date thereof and the Corporation is not in default thereunder and is not aware of any situation that would cause any such default; and
 - (eee) the total construction costs of the facility in the New Facility Lease Agreement are currently estimated at US\$18.3 million, and the Corporation is not aware of any fact or event or situation that would or could cause any material increase in such construction costs.
- (2) All of the representations, warranties, covenants and agreements of the Corporation contained in this Agreement or contained in documents delivered pursuant to this Agreement will survive the purchase and sale of the Offered Shares, and the termination of this Agreement and such representations, warranties, covenants and agreements of the Corporation will continue in full force and effect for the benefit of PM Investments, under expiry of applicable limitation periods.
 - (3) PM Investments will be entitled to rely on the representations and warranties of the Corporation contained in this Agreement or any Closing certificate or other certificate delivered pursuant to this Agreement.

Section 4.1 Covenants of the Corporation

- (1) The Corporation covenants and agrees with PM Investments to call a special meeting of its shareholders to be held on or around December 15, 2011, but in no event later than February 11, 2012, for the purpose of approving the issuance of the Tranche II Shares. If the shareholders of the Corporation do not approve the issuance of the Tranche II Shares, the Corporation shall have no further obligation to PM Investments in respect of the Tranche II Shares subscription contemplated herein.
- (2) The parties agree to negotiate in good faith with a view to amend Section 3.2 of the PM Investment Agreement on or before the Tranche II Closing Date.

Section 5.1 Conditions of Closing

The obligations of PM Investments under this Agreement will be subject to the following conditions for each Closing Date which are for the exclusive benefit of PM Investments:

- (a) PM Investments and its counsel shall have received favourable legal opinions dated as of each Closing Date, which shall cover *inter alia* matters relating to the Corporation, the Subsidiaries and the Offering, addressed to PM Investments and its counsel from counsel to the Corporation and the Subsidiaries, in form and content to the satisfaction of PM Investments' counsel, acting reasonably;
- (b) PM Investments will have received certificates dated as of each Closing Date signed by those senior officers of the Corporation as may be acceptable to PM Investments, acting reasonably, in form and content satisfactory to PM Investments, acting reasonably, with respect to the following:
 - (i) the constating documents of the Corporation;
 - (ii) the resolutions of the board of directors of the Corporation, relevant to the issue and sale of the Offered Shares, and the authorization of the other agreements and transactions contemplated by this Agreement; and
 - (iii) the incumbency and signatures of signing officers of the Corporation, as the case may be;
- (c) the Corporation will deliver to PM Investments, at each Closing Time, a certificate dated as of each Closing Date, addressed to PM Investments and signed by the President and Chief Executive Officer and the Vice-President and Chief Financial Officer of the Corporation, on behalf of the Corporation, and not in their personal capacity, certifying for and on behalf of the

Corporation after having made due inquiry and having carefully examined the Continuous Disclosure Documents, to the effect that:

- (i) subsequent to the respective dates as at which information is given in the Continuous Disclosure Documents there has been no Material Adverse Change, and none of the Corporation or its Subsidiaries has entered into any transaction out of the ordinary course of business which is material to the Corporation and its Subsidiaries on a consolidated basis other than as disclosed in the Continuous Disclosure Documents;
 - (ii) there are no actions, suits, proceedings or enquiries pending or threatened against or affecting the Corporation or its Subsidiaries at law or in equity or before or by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which results in an adverse Material Change;
 - (iii) no order, ruling or determination having the effect of ceasing or suspending trading in the Offered Shares or any other securities of the Corporation or prohibiting the sale of the Offered Shares has been issued and, to the best of the knowledge, information and belief of the persons signing the certificate, no proceedings for such purpose are pending or threatened;
 - (iv) the Corporation has complied with all covenants and satisfied all terms and conditions of this Agreement on its part to be complied with or satisfied up to the Closing Time; and
 - (v) the representations and warranties of the Corporation contained in this Agreement are true and correct as of the Closing Time with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated by this Agreement;
- (d) all required authorizations and approvals shall have been obtained by the Corporation for the execution, delivery and performance by the Corporation of this Agreement and for the issuance and sale of the Offered Shares;
- (e) the Tranche I Shares and the Tranche II Shares will have been approved for listing and posting for trading on the TSX on the Tranche I Closing Date and the Tranche II Closing Date, respectively, as the case may be, subject only to satisfaction by the Corporation of the TSX conditions in respect of the Tranche II Shares and of other customary post-closing conditions imposed by the TSX in similar circumstances (the “**Standard Listing Conditions**”);
- (f) the representations and warranties of the Corporation contained herein being true and correct as of each Closing Time with the same force and effect as if made at and as of each Closing Time after giving effect to the transactions contemplated hereby;

- (g) the Corporation having complied with all covenants contained herein and satisfied all terms and conditions contained herein to be complied with and satisfied by it at or prior to each Closing Time; and
- (h) the Corporation shall have received a consent from Investissement Québec to apply the proceeds of the Offering as described in Section 3.1(1)(y) and not in repayment of the loan made pursuant to the “Offre de prêt” with Investissement Québec of July 28, 2003, as amended thereafter, the whole in form and substance satisfactory to PM Investments and its counsel, acting reasonably.

Section 6.1 Closing

The closing of the purchase and sale of the Tranche I Shares and the Tranche II Shares will be completed at the applicable Closing Time at the offices of McCarthy Tétrault LLP, 1000 de La Gauchetière Street West, suite 2500, Montréal, Québec H3B 0A2, or at any other place determined in writing by the Corporation and PM Investments. At each Closing Time, the Corporation shall cause the Transfer Agent to deliver one or more share certificates for the Offered Shares then issued by the Corporation and purchased by PM Investments pursuant to this Agreement, such certificate(s) being registered as per the instructions of PM Investments and PM Investments shall pay the subscription price for the Offered Shares then purchased by certified cheque or wire transfer to the Corporation.

Section 7.1 Indemnification and Survival of Covenants, Agreements, Representations and Warranties

- (1) Survival of Covenants, Agreements, Etc.
 - (a) All covenants, agreements, indemnities, representations and warranties made herein to PM Investments or in any other document referred to herein or delivered to PM Investments pursuant hereto shall be deemed to have been relied on by PM Investments, as the case may be, notwithstanding any investigation made by PM Investments and shall survive the execution and delivery of this Agreement and the deliveries described in Section 6.1; provided that any claim for a breach of the representations and warranties made by the Corporation is made before the expiration of three years from the Closing Date, except for the representations and warranties contained in Section 3.1(1)(a), Section 3.1(1)(h) and Section 3.1(1)(n) which shall survive indefinitely, and for the representations and warranties contained in Section 3.1(1)(gg), Section 3.1(1)(ss) and Section 3.1(1)(vv) which shall survive for a period of sixty (60) days following the expiration date of any limitation period pursuant to applicable laws.
- (2) Indemnification by the Corporation

- (a) The Corporation agrees to indemnify and save harmless PM Investments from all Losses suffered or incurred by it as a result of or arising directly or indirectly out of or in connection with: (i) any material breach by the Corporation of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto; and (ii) any material breach or non-performance by the Corporation of any covenant to be performed by it which is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

(3) Notice of Claim

- (a) If a party (the “**Indemnified Party**”) claims that it has suffered a Loss for which it is entitled to a Claim hereunder (a “**Direct Claim**”), it will deliver to the other party (the “**Indemnifying Party**”) a written notice (the “**Indemnity Claim**”) describing the facts alleged as the basis of such Claim and the Section or Sections of this Agreement alleged to have been violated and the estimated dollar amount of the Loss claimed. Where the Indemnity Claim arises as a result of a Third Party Claim made against the Indemnified Party, the provisions of Section 7.1(4) below shall apply.
- (b) If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to contest effectively the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting from the Indemnified Party’s failure to give such notice on a timely basis.

(4) Defence of Third Party Claims

In the case of Claims made by a third party with respect to which indemnification is sought (“**Third Party Claim**”), the Indemnifying Party shall have the right, at its expense, to assume control of the negotiation, settlement and/or defence of the Third Party Claim provided that:

- (a) the Indemnified Party shall at all times have the right to fully participate in the defence of the Third Party Claim, provided that any and all expenses of the Indemnified Party and the fees and disbursements of the Indemnified Party’s counsel shall be paid by the Indemnified Party. Notwithstanding the foregoing, where the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and counsel to the Indemnifying Party determines that the representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them, all reasonable costs, fees and disbursements of the Indemnified Party relating to its defence of the Third Party Claim shall be reimbursed by the

Indemnifying Party upon delivery of notice therefore to the Indemnifying Party;

- (b) the Third Party Claim seeks only monetary damages and does not seek any injunctive or other relief against the Indemnified Party; and
- (c) counsel chosen by the Indemnifying Party is satisfactory to the Indemnified Party, acting reasonably.

(5) Assistance for Third Party Claims

The Indemnifying Party and the Indemnified Party shall use all reasonable efforts to make available to the party which is undertaking and controlling the defence of any Third Party Claim (the “**Defending Party**”) on a timely basis all documents, records and other materials in the possession of such party reasonably required by the Defending Party for its use in defending any Third Party Claim, and shall otherwise cooperate with the Defending Party.

(6) Settlement of Third Party Claims

If an Indemnifying Party assumes the defence of any Third Party Claim as provided in Section 7.1(4), subject to Section 7.1(4)(a), the Indemnifying Party shall not be liable for any legal expenses subsequently incurred by the Indemnified Party in connection with the Indemnified Party’s continued participation in the defence of such Third Party Claim. However, if the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third Party Claim within a reasonable time based on the nature of the Third Party Claim and, in any event, not later than thirty (30) days after receiving notice from the Indemnified Party and the Indemnified Party bona fide believes on reasonable grounds that the Indemnifying Party has failed to take such steps, the Indemnified Party may, at its option, elect to assume the defence of and to compromise or settle the Third Party Claim assisted by counsel of its own choosing and the Indemnifying Party shall be liable for all reasonable costs and expenses paid or incurred in connection therewith and the Indemnifying Party shall be bound by the results. Subject to the foregoing, the Indemnified Party shall not settle a Third Party Claim without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld. The Indemnifying Party shall not enter into any compromise or settlement without the prior written consent of the Indemnified Party, which consent will not be unreasonably withheld.

(7) Direct Claims

Upon receipt of a notice of a Direct Claim, the Indemnifying Party shall then have a period of thirty (30) days within which to make such investigations as the Indemnifying Party considers necessary or desirable and to respond in writing to such Direct Claim. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate its rights to be indemnified pursuant to this Section 7.1, together with all other information as the Indemnifying Party may reasonably request. If the Indemnifying Party does not so respond within such 30-day period, the Indemnifying Party shall be deemed to have accepted

such Direct Claim, and shall immediately and by no later than five (5) Business Days after the expiry of the 30-day period, pay the Indemnified Party the amount of such Direct Claim.

Section 8.1 Notice

Any notice or other communication required or permitted to be given under this Agreement will be in writing and will be delivered to:

- (a) in the case of the Corporation:

Medicago Inc.
1020, route de l'Église, Bureau 600
Sainte-Foy, Québec G1V 3V9

Attention: President and CEO
Facsimile: (418) 658-6699
Email: sheldona@medicago.com

with copies to:

McCarthy Tétrault LLP
Le Complexe St-Amable
1150 Claire-Fontaine, 7th Floor
Québec, Québec G1R 5G4

Attention: Philippe Leclerc
Facsimile: (418) 521-3099
Email: pleclerc@mccarthy.ca

- (b) in the case of PM Investments:

[Redacted]

[Redacted]

[Name and address redacted for confidentiality reasons]

with a copy to:

[Redacted]

[Redacted]

[Name and address redacted for confidentiality reasons]

and to:

Heenan Blaikie LLP
1250 René-Lévesque Blvd West
Montreal, Québec, H3B 4Y1
Canada

Attention: Bruno Caron
Facsimile Number: (514) 846-3427
Email: bcaron@heenan.ca

The parties may change their respective addresses for notices by notice given in the manner set out above. Any notice or other communication will be in writing, and unless delivered personally to the addressee or to a responsible officer of the addressee, as applicable, will be given by facsimile transmission and will be deemed to have been given when (i) in the case of a notice delivered personally to a responsible officer of the addressee, when so delivered; and (ii) in the case of a notice delivered or given by facsimile, on the first Business Day following the day on which it is sent.

Section 9.1 Miscellaneous

- (1) This Agreement will be governed by and interpreted in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. For the purpose of all legal proceedings, this agreement will be deemed to have been performed in the Province of Québec and the courts of the Province of Québec will have jurisdiction to entertain any action arising under this agreement. Each of the parties hereto hereby submits to the exclusive jurisdiction of the courts of the Province of Québec and elects domicile in the District of Montreal, Province of Québec.
- (2) Time will be of the essence of this Agreement and, following any waiver or indulgence by any party, time will again be of the essence of this Agreement.
- (3) Each of the parties to this Agreement will be entitled to rely on delivery of a facsimile copy of this Agreement or a scanned copy delivered by email and acceptance by each party of any such facsimile or scanned copy will be legally effective to create a valid and binding agreement between the parties to this Agreement in accordance with the terms of this Agreement.

- (4) This Agreement may be executed in any number of counterparts, each of which when so executed will be deemed to be an original and all of which, when taken together, will constitute one and the same agreement.
- (5) To the extent permitted by applicable law, the invalidity or unenforceability of any particular provision of this Agreement will not affect or limit the validity or enforceability of the remaining provisions of this Agreement.
- (6) This Agreement and the other documents referred to in this Agreement constitute the entire agreement between PM Investments and the Corporation relating to the subject matter of this Agreement and supersede all prior agreements between those parties with respect to their respective rights and obligations in respect of the transactions contemplated under this Agreement.
- (7) The terms and provisions of this Agreement will be binding upon and enure to the benefit of the Corporation and PM Investments and their respective successors and assigns; provided that, except as otherwise provided in this Agreement, this Agreement will not be assignable by any party without the written consent of the others and any purported assignment without that consent will be invalid and of no force and effort.
- (8) *Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent et/ou qui en découleront soient rédigés en langue anglaise.* The parties hereto have required that this Agreement and all documents and notices resulting here from be drawn in the English language.

Yours very truly,

MEDICAGO INC.

PHILIP MORRIS INVESTMENTS B.V.

By: (s) Andrew J. Sheldon
Andrew J. Sheldon

By: (s) Walter Franken
Name: Walter Franken
Title: Director

By: (s) Piet Huijben
Name: Piet Huijben
Title: Director