THREE-MONTH PERIOD ENDED MARCH 31, 2010

MANAGEMENT'S REPORT ON FINANCIAL POSITION AND OPERATING RESULTS

All amounts included in this report are expressed in Canadian dollars unless otherwise stated.

GENERAL

The following analysis provides a review of the Company's results of operations, financial condition and cash flows for the three-month periods ended March 31, 2010 and 2009. This analysis should be read in conjunction with the information contained in the consolidated financial statements and related notes for the years ended December 31, 2009 and 2008, appearing in the annual report of the Company, which are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

The 2009 Annual Report of Medicago Inc. ("Medicago"), the Annual Information Form and additional information regarding the business of the Company are available on SEDAR at www.sedar.com.

The consolidated financial statements and the accompanying notes included in this quarterly report have not been subject to a review engagement by the external auditors of the Company. Currently, Medicago believes that the cost related to a review engagement of its interim financial statements exceed the benefits inherent to such a review.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. The information contained herein is dated as of May 13, 2010, date of the Board's approval for the MD&A and the Consolidated Financial Statements.

COMPANY OVERVIEW

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

MARKET AND ECONOMIC SITUATION OVERVIEW

The influenza vaccine market is expected to expand over $3.7 billion by 2010. We are developing products for a growing market, with a first product (H5N1 pandemic influenza VLP vaccine) expected to be on the market in 2013 or thereafter, if all clinical phases are successfully completed and market approval is granted by the regulatory authorities.

We did not incur any losses on asset-backed commercial paper as we have never invested in such securities. Our main credit facility (BioLevier loan) runs until 2014 and we have met all related requirements thereunder. In 2010, we are of the opinion that we have the financial resources required to work towards the attainment of our objectives (See *Products in development*) for this year, despite current economic conditions.

KEY DEVELOPMENTS

CORPORATE

MEDICAGO SIGNS MOU WITH NITT PARTNERS FOR COMMERCIAL DEVELOPMENT OF INFLUENZA VACCINES IN JAPAN

In March 2010, Medicago Inc. signed a memorandum of understanding with Niigata TLO/NBRP/KUTLO-NITT to discuss and negotiate an agreement to commercialize Medicago's pandemic and seasonal influenza VLP-based vaccines in Japan and other territories. For several years, NITT Partners has been the government-approved technology transfer/licensing organization to license in state-of-the-art technologies. Under the terms of the MOU, the parties will evaluate and select an optimal deal structure with the objective of formalizing a definitive agreement.

EXERCISE OF WARRANTS

Medicago Inc.'s outstanding unexercised common share purchase warrants, issued at an exercise price of $0.25 in connection with the March, 2008 private placement, expired on March 14, 2010. Prior to expiry, 6,435,250 warrants totalling $1,608,812 were exercised, representing 99 per cent of those warrants. In the 2009 fiscal year 2,991,750 ($747,937) were exercised, and the remaining 3,443,500 ($860,875) were exercised in 2010.

MEDICAGO RECEIVES FINAL APPROVAL TO GRADUATE TO THE TSX

On April 23, 2010 Medicago announced that it has received the conditional approval from the Toronto Stock Exchange (the "**TSX**") to graduate from the TSX Venture Exchange and list its common shares on the TSX. Medicago's common shares will commence trading on the TSX on May 14 2010 under the symbol "MDG".

The graduation to the TSX is an important milestone for the company. The listing of the shares on the TSX is expected to enhance the visibility of the Company in the public markets, which will potentially provide greater accessibility to a broader group of investors, and increased market recognition.

EXECUTION OF A $10 MILLION STANDBY EQUITY DISTRIBUTION AGREEMENT

On May 13, 2010, Medicago announced that it has entered into a standby equity distribution agreement ("**SEDA**") with YA Global Master SPV Ltd. ("**YA Global**"), a fund managed by Yorkville Advisors, LLC, whereby Medicago has the option, once the Company obtains all necessary regulatory approvals, at its sole discretion, to issue and sell, and YA Global is committed to purchase, up to CAD $10 million of common shares from Medicago (the "**Common Shares**").

Medicago currently has the resources in place to reach its clinical milestones. The addition of this tool provides the Company with a flexible, low-cost source of capital, at a time and an amount of its choice, allowing the primary focus to remain on the execution of the development plan.

PRODUCTS IN DEVELOPMENT

H5N1 PANDEMIC INFLUENZA VLP VACCINE

In the first quarter of 2010, the Company started to work on the regulatory dossier for a phase II clinical trial to be submitted to Health Canada in the following months. If granted approval, the Company expects to initiate a phase II clinical trial in the second-half of 2010 and results would be available in the fourth quarter of 2010.

Subsequent to quarter end, Medicago received its final phase I report for its H5N1 influenza vaccine. The phase I study enrolled 48 healthy volunteers between the ages 18 to 60 who received two doses of either Medicago's vaccine at doses of 5, 10 or 20 micrograms (mcg) or a placebo. The vaccine was found to be safe, well tolerated and also induced a solid immune response at all three dose levels. There were no serious adverse reactions or allergic reactions during the study.

In addition, data for all biochemical, hematological and urinalysis assays were collected before and after each vaccination. The final results confirmed that the H5 VLP was well tolerated and safe and no statistical difference between the placebo group and the vaccine groups was seen for the above-mentioned analysis.

SEASONAL AND H1N1 VACCINES

In 2010, the Company will proceed with preclinical studies with its H1N1 pandemic vaccine candidate and expects to submit a clinical trial application (CTA) in the fourth quarter of 2010 to initiate a clinical trial. The strategy is to take advantage of the development work that will be completed for its H1N1 pandemic vaccine candidate to bolster its safety database and apply it to potentially shorten the path of approval for its seasonal vaccine candidate. Interim clinical data from the H1N1 trial, including measurements of safety and tolerability, are expected to be available by early 2011. With these data in hand and if granted approval by relevant regulatory authorities, Medicago could potentially commence a phase 2 clinical study with its seasonal vaccine candidate in 2011.

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SELECTED CONSOLIDATED INFORMATION

	Three-month period ended March 31	
	2010	**2009**
	$	**$**
CONSOLIDATED STATEMENT OF EARNINGS		
Revenues	34,000	-
Loss for the period		
$	3,709,000	2,625,000
Basic and diluted loss per share	0.03	0.03

CONSOLIDATED BALANCE SHEET DATA		
	As at March 31, 2010	**As at December 31, 2009**
	$	**$**
Cash, cash equivalents and short-term investments	11,314,000	14,333,000
Total assets	20,298,000	20,830,000
Total long-term liabilities [(1)]	15,542,000	15,488,000

(1) Total long-term liabilities include long term-debt and current portion

COMPARISON OF THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

Consolidated statements of earnings

For the three-month period ended March 31, 2010, the Company had revenues of $34,000 generated by the successful completion of the proof of concept contract with the United States Army Research, Development and Engineering Command laboratory specifically the Edgewood Chemical Biological Centre Research & Technology Directorate ('ECBC'). Medicago worked with ECBC to investigate the affordable production of industrial enzymes in the field of biofuels.

Research and development (R&D) expenses increased by $1,165,000 to $2,562,000 for the first quarter of 2010 compared to the first quarter of 2009. The increase in R&D expenses for the three-month period ended March 31, 2010 is mainly related to the upcoming Phase II study. Wage and salaries were higher ($339,000) in the first quarter of 2010 compared to 2009 explained by hiring in the second-half of 2009 and since the beginning of 2010 of new employees required for the preparation and the production of clinical materials for the upcoming Phase II clinical study. More laboratory supplies and analysis ($171,000) and a higher level of outsourced contract work ($503,000) were also required to perform these activities. Outsourced contract work increased as the result of the final payments related to phase I clinical trial, work for the development of the VLPExpress and studies for the upcoming Phase II.

Research grants and contribution increased by $337,000 for the three-month period ended March 31, 2010. The increase is mainly explained by the grant from Quebec's Consortium for Drug Discovery (CQDM) for $371,000 that was obtained in the second quarter of 2009. Grant from the CQDM totaled $1,773,000 of which $1,265,000 is still available as of March 31, 2010.

Research and development tax credits were $165,000 for the three-month period ended March 31, 2010, $60,000 higher than the

three-month period ended March 31, 2009. This difference is explained by the increase in R&D expenses.

General and administrative, business development and intellectual property (G&A) expenses increased by $297,000 to $1,190,000 for the three-month period ended March 31, 2010 compared to 2009. The increase was mainly due to an increase in license and patent related costs ($286,000). Since 2007, Medicago has significantly expanded its IP portfolio. The Company filed several patent applications to secure its IP position on influenza VLPs made in plants. As these applications progress into national phases in multiple countries, our expenses are increasing.

Depreciation of property, plant and equipment amounted to $170,000 for the three-month period ended March 31, 2010 an increase of $64,000 compared with the three-month period ended March 31, 2009. This increase is explained by acquisitions of property, plant and equipment in the last quarter of 2009 and the first quarter of 2010. These acquisitions were in relation with the expansion of the manufacturing facility in order to optimize manufacturing activities and provide additional space to produce clinical-grade material for human clinical trials.

Net financial expenses amounted to $245,000 for the three-month period ended March 31, 2010, comparable with the three-month period ended March 31, 2009.

Consolidated loss for the three-month period ended March 31, 2010 was $3,709,000, or $0.03 per basic and diluted share compared to a loss of $2,625,000, or $0.03 per basic and diluted share for the three-month period ended March 31, 2009.

Consolidated Balance Sheet

Cash, cash equivalents and short-term investments were of $11.3 million as at March 31, 2010 a decrease of $3.0 million from December 31, 2009. This decrease is mainly the result of loss for the three-month period net of items not affecting cash and cash equivalents for $3,350,000 that was partly offset by the exercise of 3,443,500 warrants totaling $861,000 since the beginning of 2010.

Total consolidated assets were of $20.3 million as at March 31, 2010, a decrease of $2.5 million since December 31, 2009. The variation is mainly due to a decrease in the total of cash, cash equivalents and short term investments by $3.0 million.

Long-term debt increased by $0.1 million to $15.5 million, mainly the result of the theoretical interest on non-bearing interest loans.

QUARTERLY FINANCIAL DATA

	Quarters ended			
	March 31, 2010	**December 31, 2009**	**September 30, 2009**	**June 30, 2009**
Revenues	34,000	-	-	-
Total expenses	($3,743,000)	($3,891,000)	($3,163,000)	($2,794,000)
Loss	($3,709,000)	($3,891,000)	($3,163,000)	($2,794,000)
Basic and diluted net loss per share	($0.03)	($0.04)	($0.03)	($0.03)
	March 31, 2009	**December 31, 2008**	**September 30, 2008**	**June 30, 2008**
Revenues	-	-	-	$583,000
Total expenses	($2,625,000)	($3,007,000)	($2,739,000)	($2,160,000)
Loss	($2,625,000)	($3,007,000)	($2,739,000)	($1,577,000)
Basic and diluted net loss per share	($0.04)	($0.07)	($0.07)	($0.05)

Revenues from quarter to quarter may vary significantly. They are non-recurring by nature and are generated by license agreements as well as contract research agreements. It is also important to note that historical patterns of expenses cannot be taken

as an indication of future expenses. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of R&D activities being undertaken at any one time and the availability of funding from investors and/or partners.

Revenues for Q2 of 2008 were generated by the final payment related to a non-exclusive license agreement of $2,000,000 signed with PMI in February 2008.

The evolution in the stage of development of the Company from research to preclinical and clinical development for its H5N1 Avian Influenza VLP vaccine, the development of the cGMP process and the production of clinical materials for the Phase I explained the increase in expenses from the second quarter of 2008 onwards. Wage and salaries increased in 2009 and 2010 compared to 2008 explained by the hiring of new employees in the second half of 2008 and since the beginning of 2009 required by preclinical and clinical work related to the Phase I and now Phase II. More laboratory supplies and analysis and a higher level of outsourced contract work were also required to perform those activities.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company had cash, cash equivalents and short-term investments totaling $11.3 million as at March 31, 2010, a decrease of $3.0 million from December 31, 2009. The Company had working capital of 10.5 million as at March 31, 2010 compared to $13.6 million as at December 31, 2009. The short-term investments do not include asset-backed commercial papers which are affected by liquidity issues. As at March 31, 2010, the Company's long-term debt amounted to $15.5 million. Under the terms of the Bio-Levier loan agreement, the Company needs to maintain its current ratio at 1.3/1 or higher. As at March 31, 2010 this ratio stood at 4.03:1.

The Company's primary capital needs are the funds required to support its scientific research and development activities including preclinical and clinical trials, capital expenditures for the expansion of its pilot plant facilities and working capital. Medicago expects expenditures to increase in 2010 as the Company will continue to advance its programs. Management believes that existing capital resources are adequate to fund its actual plans until the second quarter of 2011.

Since its inception, the Company has financed its cash requirements primarily through issuances of securities, Research and development tax credits, government funding, cost recoveries, license agreement, contract research agreements, long-term debt and short-term debt guaranteed by its Research and development tax credits. The strategy of the Company for future funding is to find additional capital after a successful completion of the Phase II trial for its H5N1 pandemic influenza VLP vaccine. The amount of additional capital needed will depend on the cash on hand at that time and funds necessary to conduct a Phase III clinical for this vaccine. Management anticipates funding additional capital requirements primarily through additional issuance of securities and/or the potential monetization of the Company's products. (See section *RISK AND UNCERTAINTIES- Additional Financing Requirements and Access to Capital* of the Annual Information Form)

The variation of our liquidity by activities is explained below.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash flows	**Three-month ended March 31**	
	2010	2009
Operating activities	**(3,224,000)**	(2,020,000)
Financing activities	**855,000**	(43,000)
Investing activities	**2,443,000**	1,390,000
Net change in cash and cash equivalents	**74,000**	(673,000)

Operating Activities

Cash used in operating activities increased by $1,203,000 to $3,224,000 for the three-month period ended March 31, 2010. This increase is mainly explained by the increase in loss, net of items not affecting cash and cash equivalents (or burn rate) for $1,022,000 for the three-month period.

Financing Activities

Cash from financing activities increased by $898,000 to $855,000 for the first three months of 2010 compared to 2009. The increase is explained by the exercise of 3,443,500 warrants totalling $861,000 since the beginning of 2010.

Investing Activities

Cash used in investing activities (excluding additions and disposal of short-term investments) increased by $379,000 to $653,000 in the three-month period ended March 31, 2010, related to more additions of property, plant and equipment for $314,000.

The Company plans to invest $1.9 million in 2010 to expand its manufacturing activities and provide additional space to produce clinical-grade material for phase II human clinical trials.

Use of proceeds of the public offering completed in December 2009

The Company completed a public offering with net proceeds of $10,556,000 in December 2009. As of March 31, 2010 the Company had not used this amount yet.

CONTRACTUAL OBLIGATIONS

There has been no significant change in the contractual obligations of the Company as described in Medicago's 2009 annual report.

OUTLOOK FOR THE REMAINING OF 2010

We expect R&D expenses to increase in 2010 compared to 2009. Following the successful completion of a phase 1 clinical trial with its H5N1 pandemic vaccine candidate, Medicago is now preparing a regulatory dossier which will be submitted to Health Canada in the following months. If granted approval, the company will initiate a phase 2 clinical trial in 2010 and results would be available in the fourth quarter of 2010.

The Company is also proceeding with preclinical studies with its H1N1 pandemic vaccine candidate and expects to file a clinical trial application (CTA) in the fourth quarter of 2010 to initiate a clinical trial. Medicago's strategy is to take advantage of the development work that will be completed for its H1N1 pandemic vaccine candidate to bolster its safety database and apply it to potentially shorten the path of approval for its seasonal vaccine candidate. Interim clinical data from the H1N1 trial, including measurements of safety and tolerability, are expected to be available by early 2011. With these data in hand and if granted approval by Health Canada, the U.S. Food and Drug Administration, and Europe, the Middle East and Africa (EMEA), Medicago could potentially commence a phase 2 clinical study with its seasonal candidate in 2011.

Medicago's expectations are that the cash outflow will not proceed linearly through the year but will be higher in the second half of the year due to cost associated with clinical studies and the cost of the expansion of our manufacturing facility.

RELATED PARTY TRANSACTIONS AND OFF-BALANCE SHEET AGREEMENTS

There were no related party transactions and off-balance sheet agreements.

OUTSTANDING SHARE DATA

As at May 13, 2010, there were 118,215,190 common shares issued and outstanding, 7,455,612 stock options outstanding and 57,120,696 warrants outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those

estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates are generally made in connection with the calculation of revenues, research and development expenses, stock-based compensation expense, as well as in determining future income tax assets and liabilities, the useful lives of property, plant and equipment and intangible assets with finite lives and the valuation of intangible assets, the fair value of stock options granted, and certain accrued liabilities. Estimates are based on historical experience, where relevant, and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

There have been no significant changes in the Company accounting policies and estimates since December 31, 2009. Please refer to the appropriate section of the financial statements included in our 2009 Annual Report for a complete description of our accounting policies.

NEW ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Future accounting changes

In January 2010, the CICA published the following sections of the CICA Handbook that apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

(a) Section 1582, "Business Combinations", which replaces the former Section 1581 with the same title, establishes accounting standards for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS3, "Business Combinations".

(b) Section 1601, "Consolidated Financial Statements", which replaces the former Section 1600 with the same title, establishes standards for the preparation of consolidated financial statements.

(c) Section 1602, "Non-Controlling Interests". This new section establishes standards on accounting for non-controlling interests in a subsidiary in consolidated financial statements prepared subsequent to a business combination. It is equivalent to the corresponding provisions of International Accounting Standard IAS 27, "Consolidated and Separate Financial Statements".

The Company is currently evaluating the impact of these new standards on its financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be require for the Company, for interim and annual financial statements beginning on January 1, 2011 and will required the restatement for comparative figures. The Company has decided to switch to IFRS on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures.

During 2008, we proceeded to establish a stage 1: *Diagnosis for the adoption of IFRS*. This diagnosis has identified the main differences between the accounting treatments applied by the Company under Canadian GAAP and the IFRS as well as the practical implications related to the measure. The differences were further classified according to their degree of complexity and by the amount of work to implement with respect to the measure.

An implementation plan for the conversion to IFRS has been prepared. The activities planned in stage 2: *Evaluation and Design* include the identification and documentation of existing differences between IFRS and Canadian GAAP in accounting and disclosure requirements, the selection of accounting policies under IFRS, including the consideration of options available under IFRS, the establishment of the effects related to the conversion on internal controls, accounting systems and other solutions and business processes, and developing a training program to help employees concerned for the transition and the continued compliance with IFRS. Finally, the stage 3, the last stage, is the implementation and the review.

During 2009, we practically completed stage 2 of our conversion to IFRS. The Company evaluated and documented the existing differences between IFRS and Canadian GAAP in accounting and disclosure requirements, the selection of accounting policies

under IFRS, including the consideration of options available under IFRS, the integration of the effects related to the conversion on internal controls, accounting systems and other solutions and business processes, and the establishment of training program to help employees concerned for the transition and the continued compliance with IFRS.

While working on stage 2, under IFRS 1 - *First-time adoption of IFRS*, we have chosen to use the prospective application where choices were available for our situation. So far we found no Standard with significant accounting impact for the Company.

During 2010, we will finalize the stage 2 and work on stage 3 for the implementation and review. Since stage 2 is not completed as of March 31, 2010, other accounting impact can be found during the course of 2010. The global implementation plan is on schedule and we are confident that everything will be in place for the conversion planned on January 1, 2011.

RISK FACTORS AND UNCERTAINTIES

There has been no significant change in the risk factors and uncertainties facing the Company as described in Medicago's 2009 Annual Information Form.

On behalf of management,

(signed)
Pierre Labbé, CA
Vice-president and Chief Financial Officer

(signed)
Andrew J. Sheldon
President and Chief Executive Officer

May 13, 2010