

# **Medicago Inc.**

Condensed Consolidated Financial Statements  
(Unaudited)

**March 31, 2012 and 2011**  
(expressed in Canadian dollars)

# Medicago Inc.

## Consolidated Statements of Financial Position (Unaudited) (in Canadian dollars)

	As at March 31, 2012 \$	As at December 31, 2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	17,010,727	20,598,103
Short-term investments (note 4)	19,845,858	19,763,661
Amounts receivable	891,198	4,494,123
Investment tax credits receivable	4,647,174	4,378,905
Prepaid expenses	160,320	238,872
	<u>42,555,277</u>	<u>49,473,664</u>
<b>Non-current assets</b>		
Security deposits	859,372	870,681
Property, plant and equipment	27,188,182	27,583,575
Intangible assets	2,603,836	2,466,359
	<u>73,206,667</u>	<u>80,394,279</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loans	1,119,794	1,119,794
Accounts payable and accrued liabilities	4,926,905	5,965,865
Deferred grants on research agreement	104,333	268,738
Current portion of deferred revenue from research agreement (note 5)	1,334,599	-
Current portion of deferred lease inducement	58,436	-
Current portion of long-term debt and finance lease	1,373,441	1,380,600
	<u>8,917,508</u>	<u>8,734,997</u>
<b>Non-current liabilities</b>		
Deferred revenue from research agreement (note 5)	1,607,180	-
Deferred lease inducement	26,160	-
Long-term debt	16,657,277	16,837,739
Finance lease liability	16,631,510	17,067,639
	<u>43,839,635</u>	<u>42,640,375</u>
<b>Equity</b>		
<b>Share capital</b> (note 6)	116,312,837	116,326,529
<b>Contributed surplus</b>	9,296,970	9,296,970
<b>Other equity components</b>		
Stock option plan (note 7a)	2,721,043	2,485,623
Unit options (note 7b)	739,456	739,456
Warrants (note 7c)	3,178,040	3,184,348
<b>Deficit</b>	(103,019,933)	(94,032,607)
<b>Accumulated other comprehensive income (loss)</b>	<u>138,619</u>	<u>(246,415)</u>
<b>Total equity</b>	<u>29,367,032</u>	<u>37,753,904</u>
<b>Total liabilities and equity</b>	<u>73,206,667</u>	<u>80,394,279</u>

Approved by the Board of Directors

(signed) RANDAL CHASE, PH.D. Director

(signed) PIERRE SECCARECCIA, CA Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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# Medicago Inc.

## Interim Consolidated Statements of Changes in Equity (Unaudited) (in Canadian dollars)

	Share capital	Contributed surplus	Stock option plan	Unit options	Warrants	Deficit	Accumulated other comprehensive income (loss)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2012</b>	116,326,529	9,296,970	2,485,623	739,456	3,184,348	(94,032,607)	(246,415)	37,753,904
Net loss for the period	-	-	-	-	-	(8,987,326 )	-	(8,987,326)
Other comprehensive income for the period	-	-	-	-	-	-	385,034	385,034
<b>Total comprehensive income (loss)</b>	-	-	-	-	-	(8,987,326 )	385,034	(8,602,292)
<b>Transaction with owners</b>								
Warrants exercised	26,308	-	-	-	(6,308)	-	-	20,000
Issue expenses	(40,000)	-	-	-	-	-	-	(40,000)
Stock-based compensation	-	-	235,420	-	-	-	-	235,420
	(13,692)	-	235,420	-	(6,308)	-	-	215,420
<b>Balance – March 31, 2012</b>	116,312,837	9,296,970	2,721,043	739,456	3,178,040	(103,019,933 )	138,619	29,367,032
<b>Balance – January 1, 2011</b>	53,605,485	8,067,236	1,760,148	483,125	3,837,442	(73,040,873)	128,952	(5,158,485)
Net loss for the period	-	-	-	-	-	(5,051,352 )	-	(5,051,352)
Other comprehensive income for the period	-	-	-	-	-	-	294,405	294,405
<b>Total comprehensive income (loss)</b>	-	-	-	-	-	(5,051,352 )	294,405	(4,756,947)
<b>Transaction with owners</b>								
Warrants exercised	736,136	-	-	-	(196,136)	-	-	540,000
Stock-based compensation	-	-	199,993	-	-	-	-	199,993
	736,136	-	199,993	-	(196,136)	-	-	739,993
<b>Balance – March 31, 2011</b>	54,341,621	8,067,236	1,960,141	483,125	3,641,306	(78,092,225)	423,357	(9,175,439)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Medicago Inc.

## Interim Consolidated Statements of Income

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

	2012 \$	2012 \$
<b>Revenues</b>		
Revenues from research agreements	156,615	-
<b>Operating expenses</b>		
Research and development	5,322,986	2,898,994
General and administrative	2,353,462	1,548,194
Depreciation of property, plant and equipment	676,805	224,589
Amortization of intangible assets	46,996	30,336
Financial income (note 8)	(102,127)	(3,041)
Financial costs (note 8)	845,819	352,280
	<u>9,143,941</u>	<u>5,051,352</u>
<b>Loss for the period</b>	<u>(8,987,326)</u>	<u>(5,051,352)</u>
<b>Basic and diluted loss per share</b> (note 10)	<u>(0.04)</u>	<u>(0.04)</u>

## Interim Consolidated Statements of Comprehensive Loss

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

	2012 \$	2012 \$
<b>Loss for the period</b>	<u>(8,987,326)</u>	<u>(5,051,352)</u>
<b>Other comprehensive income</b>		
Unrealized gain on available-for-sale investments	82,196	28,175
Reclassification of gain on available-for-sale investments realized upon sale to loss for the period	-	(1,372)
Foreign currency translation adjustments	302,838	267,602
<b>Total other comprehensive income</b>	<u>385,034</u>	<u>294,405</u>
<b>Comprehensive loss for the period</b>	<u>(8,602,292)</u>	<u>(4,756,947)</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Medicago Inc.

## Interim Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(8,987,326)	(5,051,352)
Items not affecting cash and cash equivalents		
Stock-based compensation costs	235,420	199,993
Depreciation and amortization	723,801	254,925
Amortization of deferred charges	29,375	29,375
Deferred lease inducement	84,924	-
Gain on sale of available-for-sale investments	-	(1,372)
Interest capitalized on long-term debt	38,668	38,890
	(7,875,138)	(4,529,541)
Change in non-cash working capital items (note 11a)	6,678,135	3,018,317
<b>Net cash used for operating activities</b>	(1,197,003)	(1,511,224)
<b>Cash flows from financing activities</b>		
Bank loans contracted	-	908,000
Payments on bank loans	-	(600,000)
Payments on finance lease	(63,548)	-
Payments on long-term debt	(257,527)	(9,877)
Exercise of warrants	20,000	540,000
Issue expenses	(40,000)	-
<b>Net cash generated from (used for) financing activities</b>	(341,075)	838,123
<b>Cash flows from investing activities</b>		
Additions to short-term investments	-	(118,520)
Disposal of short-term investments	-	119,000
Security deposit	(2,260)	(113,000)
Additions to property, plant and equipment	(2,478,734)	(379,211)
Additions to intangible assets	(119,092)	(523,676)
<b>Net cash used for investing activities</b>	(2,600,086)	(1,015,407)
Effect of changes in foreign exchange rate on cash	550,788	88,002
<b>Net change in cash and cash equivalents</b>	(3,587,376)	(1,600,506)
<b>Cash and cash equivalents – Beginning of period</b>	20,598,103	3,415,700
<b>Cash and cash equivalents – End of period</b>	17,010,727	1,815,194
Interest paid	729,794	284,012

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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### 1 General information

Medicago Inc. (The “Company”) is governed by the Québec Business Corporations Act (Québec). Since the beginning of its operations, most of the Company's activities have been devoted to research and development. The Company is a clinical-stage biotechnology company focused on the development of vaccines in order to commercialize them in the future using its proprietary Virus-Like Particules and manufacturing technologies.

The Company is listed on the Toronto Stock Exchange (MDG-T) and is incorporated and domiciled in Canada. The address of its registered office is 1020, Route de l'Église, suite 600, Québec City, Québec.

### 2 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and using the same accounting policies and methods of computation as our most recent annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS as issued by the IASB.

### 3 Significant accounting policies

#### Leases

Leases that transfer substantially all of the benefits and risks of ownership of the assets to the Company are accounted for as finance lease obligations. At the time a finance lease obligation is entered into, an asset is recorded together with the related obligation. Assets under finance lease obligations are depreciated over their estimated useful lives.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as deferred lease inducements. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the term of the related lease.

#### Revenue recognition

In general, revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenues comprise the fair value of the consideration received or receivable for services in the ordinary course of the group's activities.

Revenues related to research agreements are bound to milestone agreements and are recorded as the milestones are reached and upon customer acceptance. Under these agreements, the payments received in

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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advance are recognized as deferred revenue in the statement of financial position and then, as revenue when milestones are reached and upon customer acceptance. Revenues from research agreements are recognized using the percentage-of-completion method or on a straight-line basis over the duration of the research agreement.

The existing licensing agreements usually foresee one-time payment (upfront payment) and milestone payments. Revenues associated with those multiple-element arrangements are allocated to the various elements based on their relative fair value. The consideration received is allocated among the separate units based on each unit's fair value or using the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

License fees representing non-refundable payments received upon the execution of license agreements are recognized as revenue upon execution of the license agreements when the Company has no significant future performance obligations and collectability of the fees is assured. Upfront payments received at the beginning of licensing agreements are not recorded as revenue when received but are amortized based on the progress of the related research and development work. This progress is based on estimates of total expected time or duration to complete the work which is compared to the period of time incurred to date in order to obtain an estimate of the percentage of revenue earned to date.

#### 4 Short-term investments

Short-term investments include the following:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
	\$	\$
Money market fund	3,010,889	3,002,141
Bonds and discount notes, maturing until April 2019	10,349,969	10,276,520
Term deposit bearing interest at annual rates ranging from 1.51% to 1.60%, maturing until May 2013	6,485,000	6,485,000
	<u>19,845,858</u>	<u>19,763,661</u>

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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### 5 Deferred revenue from research agreement

	March 31, 2012 \$	December 31, 2011 \$
Mitsubishi Tanabe Pharma Corporation (MTPC)	2,941,779	-
Less: Current portion	<u>1,334,599</u>	-
	<u>1,607,180</u>	-

On March 6, 2012, Medicago announced the establishment of a strategic alliance with Mitsubishi Tanabe Pharma Corporation (MTPC) through the execution of a Master Research Collaboration Agreement of up to \$33M in upfront and milestone payments. The objectives are to develop and commercialize at least three new vaccines with MTPC who will provide funding for all research and development costs including commercialization.

On March 30 2012, the Company has received an upfront payment in the amount of \$3M. The upfront payment will be amortized on a straight-line basis over the duration of the research agreement which has been estimated to be 28 months. As at March 31, 2012, an amount of \$ 107,100 has been recorded in the statement of income. Furthermore, the company has also received an amount of \$48,919 for research and development costs. This amount has been recorded as deferred revenue from research agreement since the research and development work has not yet begun as at March 31, 2012.

### 6 Share capital

The authorized share capital of the Company is as follows:

Unlimited number of shares, without par value, of the following classes:

Common shares, voting and participating

Preferred shares, with rights, privileges and conditions to be determined by the Board of Directors before issuance

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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The share capital issued has varied as follows:

	<b>For the three-month period ended March 31, 2012</b>		<b>For the year ended December 31, 2011</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
<b>Common shares</b>				
Balance – Beginning of period	246,630,302	116,326,529	136,922,102	53,605,485
Issued pursuant to offerings	-	-	107,130,200	63,745,076
Issued pursuant to the exercise of warrants	40,000	26,308	2,518,000	1,062,505
Issued pursuant to the exercise of stock options	-	-	60,000	47,615
Issue expenses	-	(40,000)	-	(2,134,152)
Balance – End of period	<u>246,670,302</u>	<u>116,312,837</u>	<u>246,630,302</u>	<u>116,326,529</u>

### Equity distribution agreement

On May 13, 2010, Medicago has entered into a standby equity distribution agreement (SEDA) with YA Global Master SPV Ltd., a fund managed by Yorkville Advisors, LLC. In accordance with the terms of the SEDA, Medicago will have the right, from time to time during a period of up to 36 months from the date of the SEDA, to issue and sell to YA Global, and YA Global undertakes to acquire from Medicago, common shares for a maximum total consideration of \$10M upon exercise by Medicago of a drawdown. The maximum amount of a drawdown will be the lesser of \$500,000 or the remaining portion of the commitment amount. The purchase price of the common shares issued under the SEDA will be: (i) 95 per cent of the relevant daily volume-weighted average price per common share for the applicable day if such average daily price is equal to or greater than 20 cents; (ii) 92.5 per cent of the relevant average daily price of the common shares if such average daily price is equal or greater than 15 cents but less than 20 cents; and (iii) 90 per cent of the relevant average daily price of the common shares if such average daily price is equal to or greater than 10 cents but less than 15 cents.

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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### 7 Other equity components

#### a) Stock option plan

The following table summarizes the stock option activity since January 1, 2011:

	<b>For the three-month period ended March 31, 2012</b>		<b>For the year ended December 31, 2011</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding – Beginning of period	10,082,426	0.48	8,757,693	0.51
Granted	-	-	2,363,107	0.61
Exercised	-	-	(60,000)	0.47
Forfeited	-	-	(31,139)	0.46
Expired	(72,000)	1.00	(947,235)	1.12
Outstanding – End of period	<u>10,010,426</u>	<u>0.48</u>	<u>10,082,426</u>	<u>0.48</u>
Options exercisable – End of period	<u>6,027,168</u>	<u>0.41</u>	<u>5,171,533</u>	<u>0.44</u>

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

The following table summarizes information about outstanding and exercisable stock options as at March 31, 2012:

Exercise price	Stock options outstanding			Stock options currently exercisable	
	Number	Weighted average remaining contractual life (months)	Weighted average exercise price \$	Number	Weighted average exercise price \$
\$0.20	1,968,317	21	0.20	1,968,317	0.20
\$0.35 to \$0.41	1,882,674	31	0.36	1,723,339	0.36
\$0.47 to \$0.58	2,302,841	104	0.50	765,426	0.49
\$0.59	872,415	114	0.59	-	-
\$0.60	37,500	90	0.60	25,000	0.60
\$0.62	83,850	12	0.62	83,850	0.62
\$0.65	1,022,192	114	0.65	25,000	0.65
\$0.66	627,444	13	0.66	627,444	0.66
\$0.72	1,213,193	93	0.72	808,792	0.72
	<b>10,010,426</b>	<b>68</b>	<b>0.48</b>	<b>6,027,168</b>	<b>0.41</b>

### Assumptions used in determining stock-based compensation costs

The table below shows the weighted average assumptions used in determining stock-based compensation costs under the Black-Scholes option pricing model:

	Three-month period ended March 31, 2012	For the year ended December 31, 2011
Dividend yield	-	Nil
Expected volatility	-	99%
Risk-free interest rate	-	1.33%
Expected life (years)	-	5
Weighted average fair value of options granted at market price at the date of the grant (\$)	-	0.43
Weighted average fair value of options granted at a price higher than the market price at the date of the grant (\$)	-	0.48

For the period ended March 31, 2012, the stock-based compensation costs was 235,420 \$ (199,993 \$ in 2011).

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

### b) Unit options

The following table summarizes the unit options activity since January 1, 2011:

	For the three-month period ended March 31, 2012		For the year ended December 31, 2011	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding and exercisable – Beginning of period	2,397,820	0.457	1,203,704	0.405
Granted to the agent pursuant to a public offering	-	-	1,194,116	0.510
Outstanding and exercisable – End of period	2,397,820	0.457	2,397,820	0.457

The following table summarizes the information relating to unit options outstanding, all of which are exercisable as at March 31, 2012:

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.405	1,203,704	0.38
\$0.510	1,194,116	1.01
	2,397,820	0.70

The fair value of unit options was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	Three-month period ended March 31, 2012	For the year ended December 31, 2011
Dividend yield	-	Nil
Expected volatility	-	76 %
Risk-free interest rate	-	1.86%
Expected life (years)	-	2
Fair value of unit options granted (\$)	-	0.215

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

### c) Warrants

The following table summarizes the warrant activity since January 1, 2011:

	For the three-month period ended March 31, 2012		For the year ended December 31, 2011	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding and exercisable – Beginning of period	22,100,290	0.60	18,159,586	0.53
Granted to the subscribers in connection with public offering	-	-	8,529,400	0.75
Exercised	(40,000)	0.50	(2,518,000)	0.32
Expired	-	-	(2,070,696)	0.99
Outstanding and exercisable – End of period	22,060,290	0.60	22,100,290	0.60

The following table summarizes the information relating to warrants outstanding and exercisable as at March 31, 2012:

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.50	13,530,890	3.39
\$0.75	8,529,400	1.01
	22,060,290	2.47

The fair value of warrants was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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	<b>Three-month period ended March 31, 2012</b>	<b>For the year ended December 31, 2011</b>
Dividend yield	-	Nil
Expected volatility	-	76%
Risk-free interest rate	-	1.86%
Expected life (years)	-	2.00
Fair value of warrants granted (\$)	-	0.13

### 8 Financial income and costs

	<b>Three-month period ended March 31, 2012 \$</b>	<b>Three-month period ended March 31, 2011 \$</b>
<b>Financial income</b>		
Gain on sale of available for sale investments	-	(1,372)
Interest income	(102,127)	(1,669)
	<u>(102,127)</u>	<u>(3,041)</u>
<b>Financial costs</b>		
Interest on long-term debt	801,370	294,597
Interest and bank charges	15,074	28,308
Amortization of deferred financing expenses	29,375	29,375
	<u>845,819</u>	<u>352,280</u>

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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### 9 Segment information

The Company is organized under one single business segment, being the research and development of vaccines.

The Company's property, plant and equipment and intangible assets by location are as follows:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
	\$	\$
Canada	8,502,165	8,151,450
United States	21,289,853	21,898,484
	<u>29,792,018</u>	<u>30,049,934</u>

All revenues of the periods have been allocated based on the location in which the sale originated. All of them have been generated in Canada. The revenues for the period ended March 31, 2012 were with two customers.

### 10 Loss per share

Basic loss per common share is calculated by dividing the net loss for the period attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period.

	<b>Three-month period ended March 31, 2012</b>	<b>Three-month period ended March 31, 2011</b>
	\$	\$
Loss attributable to equity holders of the Company	8,987,326	5,051,352
Weighted average number of common shares outstanding	<u>246,663,049</u>	<u>138,144,324</u>
Basic net loss per common share	<u>0.04</u>	<u>0.04</u>

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding used in the diluted loss per share calculations:

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

	<b>Three-month period ended March 31, 2012 \$</b>	<b>Three-month period ended March 31, 2011 \$</b>
Basic weighted average number of shares outstanding	246,663,049	138,144,324
Dilutive effect of stock options	2,370,871	1,979,405
Dilutive effect of units options	540,346	-
Dilutive effect of warrants	2,070,201	365,715
Diluted weighted average number of shares outstanding	<u>251,644,467</u>	<u>140,489,444</u>
Excluded from the calculation where exercise price are greater than average market price		
Stock options	2,984,179	3,811,346
Warrants	8,529,400	2,070,696

For the three-month period ended March 31, 2012 and 2011, the diluted loss per share was the same as the basic net loss per share since the dilutive effect of stock options and warrants was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those periods was calculated using the basic weighted average number of shares outstanding.

## 11 Financial information included in consolidated statements of cash flows

### (a) Changes in non-cash working capital items

	<b>Three-month period ended March 31, 2012 \$</b>	<b>Three-month period ended March 31, 2011 \$</b>
Amounts receivable	3,540,929	(128,783)
Investment tax credits receivable	(268,269)	147,999
Prepaid expenses	75,617	224,390
Accounts payable and accrued liabilities	552,484	(436,470)
Deferred revenue from research agreement	2,941,779	-
Deferred grants on research agreement	(164,405)	3,211,181
	<u>6,678,135</u>	<u>3,018,317</u>

# Medicago Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2012 and 2011

(Unaudited) (in Canadian dollars)

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(b) Supplemental information on items not affecting cash and cash equivalents

	<b>Three-month period ended March 31, 2012 \$</b>	<b>Three-month period ended March 31, 2011 \$</b>
Acquisition of property, plant and equipment in accounts payable and accrued liabilities	1,779,556	33,637
Acquisition of intangible assets in accounts payable and accrued liabilities	66,640	255,739