

DIAMEDICA INC

ANNUAL INFORMATION FORM

Except as otherwise indicated, all information in the Annual Information Form is presented as at and for the year ended December 31, 2014

April 30, 2015

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CURRENCY AND OTHER MEASUREMENTS

Unless otherwise indicated, all references to "dollars" or the use of the symbol "$" are to Canadian dollars, and all references to "US dollars" or "US$" are to United States dollars. Unless otherwise indicated, all references in this annual information form to "the Company", "DiaMedica", "we", "us", or "our" refers to DiaMedica Inc.

FORWARD-LOOKING STATEMENTS

This Annual Information Form ("**Annual Information Form**" or "**AIF**") contains forward-looking statements within the meaning of applicable securities laws. All statements, other than statements of historical facts, included in this AIF regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

The Company's statements of "belief" in respect of our drug candidates are based primarily upon our results derived to date from our preclinical and clinical research and development program. We also use the term "demonstrated" in this AIF to describe certain findings that we make arising from our research and development including any preclinical and clinical studies that we have conducted to date.

The Company believes that it has a reasonable scientific basis upon which we have made such statements of "belief" or arrived at such findings. It is not possible, however, to predict, based upon *in vitro* and/or animal studies whether a new therapeutic agent or a second generation compound(s) will be proved to be safe and/or effective in humans and no conclusions should be drawn in that regard from what we state has been demonstrated by us to date. We cannot assure you that the particular results expected by us will occur.

There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements or statements of "belief", including the factors discussed under "Risk Factors" and in other sections of this AIF. These factors and the other cautionary statements made in this AIF should be read as being applicable to all related forward-looking statements and statements of "belief" wherever they appear in this AIF.

Any forward-looking statements and statements of "belief" represent our estimates only as of the date of this AIF and should not be relied upon as representing our estimates as of any subsequent date. Except as required by law, the Company does not assume any obligation to update any forward-looking statements or statements of "belief". We disclaim any intention or obligation to update or revise any forward-looking statements or statements of "belief", whether as a result of new information, future events or otherwise except as otherwise required by law.

Such forward-looking statements involve known and unknown risks and uncertainties, including those referred to in this AIF or in any document incorporated by reference herein, which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. You should also carefully consider the matters discussed under "Risk Factors" in this AIF. We undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as required by securities legislation.

USE OF MARKET AND INDUSTRY DATA

This AIF includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by the Company's management on the basis of its knowledge of and experience in the industry in which the Company operates (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although believed to be reliable, the Company's management has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the name Diabex Inc. pursuant to *The Corporations Act* (Manitoba) by articles of incorporation dated January 21, 2000. The Company's articles were amended on October 6, 2000 to effect a share split on the basis of 35,307.6923 voting common shares ("Common Shares") for each issued and outstanding Common Share. The Company's articles were amended further on February 26, 2001 to change the name of the Company to DiaMedica Inc. The articles were amended further on March 14, 2005 to: (i) create an unlimited number of Class A Preferred Shares, and (ii) eliminate the Non-Voting Common, Class A, Class B, Class C and Class D shares of the Company. The articles were amended further on July 2, 2008 to: (i) delete the Class A Preferred Shares, and (ii) remove the restriction on share transfers (collectively, the "**Articles of Incorporation**").

DiaMedica's registered office is located at 1700 – 360 Main Street, Winnipeg, Manitoba, R3C 3Z3 and our head office is located at our wholly owned subsidiary DiaMedica USA Inc. located at One Carlson Parkway, Suite 124, Minneapolis, Minnesota, USA 55447 (telephone 763-270-0603).

Intercorporate Relationships

On June 30, 2010, the Company acquired all the outstanding shares of Sanomune Inc. ("Sanomune"), a private biotechnology company. Subsequently, Sanomune was dissolved and a Certificate of Dissolution was issued by the Director, Manitoba Companies Office, on April 14, 2011.

On August 31, 2007, DiaMedica Europe Limited was incorporated pursuant to the *Companies Act 1985 & 1989* of England and Wales. DiaMedica Europe Limited was formed to facilitate the performance of clinical studies in the European Union. DiaMedica Europe Limited was dissolved in the second quarter of 2011.

On May 15, 2012, DiaMedica USA Inc. ("DiaMedica USA") was incorporated pursuant to the General Corporation Law of the State of Delaware, United States. The registered office of DiaMedica USA is The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801, County of New Castle. The office address of DiaMedica USA is One Carlson Parkway, Suite 124 Minneapolis, MN 55447.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History [(1)]

	For the year ended **December 31, 2014**	For the year ended **December 31, 2013**	For the year ended **December 31, 2012**
Revenues	*nil*	*nil*	*nil*
Net Loss	(5,592,719)	($7,890,969)	($9,999,640)
Loss per Common Share	($0.09)	($0.14)	($0.20)
Total Assets	$326,884	$3,094,372	$3,827,310
Shareholders' Equity (deficiency)	($1,774,820)	$1,471,122	$2,253,057

Notes:

(1) Amounts are reported under International Financial Reporting Standards.

Recent Program Developments

From January 1, 2012 to the date of this AIF

DM199 Program Summary

On February 2nd, 2015, the Company announced it would pursue the development of DM199 towards acute vascular disease of the brain, kidney and heart with the primary focus will be on acute ischemic stroke and acute kidney injury indications. DM199 has the potential to treat a broad spectrum of clinical scenarios where re-establishing blood flow and reducing inflammation in patients is vital to preserving organ function (e.g. brain, kidney and heart).

On November 17, 2014, the Company announced top-line results of its Phase IIa proof of concept clinical trial of DM199 in patients with type 2 diabetes ("**T2D**"). The Company's Phase IIa clinical trial met its primary endpoint. The study demonstrated that DM199 was safe and well tolerated following administration to patients by subcutaneous injection (beneath the skin). However, based on the Company's initial assessment, DM199 treatment did not achieve the secondary objectives of improvement in glucose control. The Company is continuing to evaluate data as it becomes available.

On January 8, 2014 we released results of our 16-day Phase 1 multiple ascending dose ("**MAD**") clinical trial of DM199 in healthy volunteers. DM199 was well-tolerated at all three dose levels and met the primary endpoints of safety and tolerability. (DM199 also demonstrated a favorable pharmacokinetic ("**PK**") profile supporting the potential for weekly dosing.) Based on the Phase 1 MAD clinical results, we initiated dosing in a Phase 2 clinical study in patients with T2D to evaluate the safety, tolerability and PK of two dose levels of DM199 and its pharmacodynamic effects on diabetes biomarkers including: the homeostatic model assessment for insulin resistance ("**HOMA2-IR**"), fasting glucose and plasma insulin, meal tolerance test, lipids, HbA_{1c} and other metabolic markers. The randomized, double-blinded, placebo-controlled study is expected to enroll 36 patients with T2D. The patients start with a one-month wash out of their diabetes medications and then are sequestered for the one-month study.

In September 2013, we successfully completed the second portion of our DM199 dose-escalation clinical trial of DM199 in T2D patients. The study achieved its primary clinical endpoints of demonstrating the safety, tolerability and sustained PK properties of DM199 at escalating doses, while the pharmacodynamic effects were consistent with an insulin sensitization mechanism of action for T2D. Insulin sensitizers lower a patient's blood sugar levels by increasing the body's response to insulin over time.

In August 2013, we completed enrollment of T2D patients for the second portion of the DM199 clinical trial. This second portion of the DM199 clinical trial was a randomized, placebo-controlled, double-blinded dose-escalation study in T2D patients to evaluate the acute safety, tolerability and PK properties of DM199 following three single escalating doses, as well as its pharmacodynamic effects on glucose control.

In June 2013, we successfully completed the first portion of the clinical trial: an acute escalating dose study of DM199 at multiple levels in healthy volunteers. Results from the study showed that DM199 was well-tolerated, with a favorable PK profile supporting potential once-weekly dosing.

In April 2013, we received regulatory approval in the Netherlands to commence a Phase 1/2 clinical trial for DM199, to evaluate the safety, tolerability, PK and efficacy of DM199 in 36 healthy volunteers and in 40 T2D patients. Data from this trial will also support future DM199 clinical trial regulatory filings for Type 1 Diabetes ("**T1D**"), T2D and for other potential indications.

In January 2013, we successfully completed cGMP manufacturing of DM199 to be utilized in upcoming clinical trials. Additionally, we successfully completed GLP (Good Laboratory Practice) compliant toxicology studies in non-human primates and rat models, demonstrating DM199 to be safe and well-tolerated in repeated high dose administrations.

In Q1 2012, we submitted our pre-Investigational New Drug ("**pre-IND**") application with the U.S. Food and Drug Administration ("**FDA**") in preparation for an upcoming clinical trial with DM199. We have not submitted a pre-IND or an Investigational New Drug ("**IND**") application since this filing.

In December 2012, we reported that treatment with DM199 in a three-week study of Zucker Diabetic Fatty ("**ZDF**") rats demonstrated expected improvement in glucose control. In addition, there was a positive control of blood pressure. Specifically, a low dose of DM199 therapy led to a 1.6% improvement in HbA1c, and a 20 mm/Hg improvement in systolic blood pressure compared to untreated animal (controlled blood pressure). Ideally, next generation type 2 diabetes therapeutics will provide glucose control and additional benefits to control T2D complications and co-morbidities, termed "glucose-plus". We believe DM199 potentially offers one of the most comprehensive "glucose-plus" profiles of any of the products currently on the market or in development. Animal studies to date show both glucose control and a positive profile for blood pressure and heart rate.

Recent Corporate Developments

2015 to the date of this AIF

On March 16th, 2015, the Company announced the closing of its non-brokered private placement raising total gross proceeds of $600,000.

On February 27th, 2015, the Company announced a non-brokered private placement of up to 6,000,000 common shares in the capital of the Company at an issue price of $0.10 per common share for gross proceeds of up to $600,000 based on indications of interest.

On February 2nd, 2015, the Company announced it would pursue the development of DM199 towards acute vascular disease of the brain, kidney and heart. The primary focus will be on acute ischemic stroke and acute kidney injury indications. DM199 has the potential to treat a broad spectrum of clinical scenarios where re-establishing blood flow and reducing inflammation in patients is vital to preserving organ function (e.g. brain, kidney and heart).

On January 20th, 2015, the Company announced the resignation of Dr. Mark Robbins from his position with the Company. Dr. Robbins joined DiaMedica as Vice President of Clinical and Regulatory and was named Executive Vice President in July 2014.

On January 15th, 2015, the Company announced the appointment of Mr. David Gurvey as the Company's Vice President of Finance.

2014

On December 5, 2014, the Company announced a company-wide restructuring aimed at preserving cash, reducing operating costs and re-positioning the Company going forward. The Company's restructuring includes a number of staff layoffs, including John Savage as Chief Financial Officer.

On November 17, 2014, the Company announced top-line results of its Phase IIa proof of concept clinical trial of DM199 in patients with T2D. The Company's Phase IIa clinical trial met its primary endpoint. The study demonstrated that DM199 was safe and well tolerated following administration to patients by subcutaneous injection (beneath the skin). However, based on the Company's initial assessment, DM199 treatment did not achieve the secondary objectives of improvement in glucose control, a critical measure for treating T2D.

On November 5, 2014, the Company announced that it had cancelled its public offering previously announced on October 22, 2014 (discussed below), for the issuance of up to 24 million units at a price of $0.25 per unit. The Company anticipated receiving the results of its Phase IIa proof of concept study (discussed above) by mid-November and thus elected to report the results before completing a prospectus offering. As a result of such cancellation, no shares were sold pursuant to the proposed offering.

On October 22, 2014, the Company announced that it had filed a preliminary short form prospectus in connection with a proposed public offering of units. The prospectus contemplated a minimum offering size of $3 million up to a maximum of $6 million.

On September 16, 2014 DiaMedica terminated the license agreement with the University of Manitoba dated October 1, 2005 referenced in the AIF (the "License Agreement"). DiaMedica terminated the License Agreement and abandoned the associated patent cases. The patents and patent applications cover the use of DM199 for type 1 diabetes, an indication the Company is no longer planning to pursue. Additionally, the patents are set to expire in 2021 and DiaMedica could not receive licensure prior to the expiration in 2021.

On July 24, 2014 at the Meeting, the shareholders of DiaMedica approved resolutions to: (i) continue DiaMedica under the Canada Business Corporations Act (as at the date hereof, the board of directors of DiaMedica has not exercised the authority by resolution to consolidate DiaMedica's share capital on the basis of a ratio of one post-consolidation Common Share for each two to ten outstanding **pre**-by resolution to consolidate DiaMedica's share capital on the basis of a ratio of one post-consolidation Common Share for each two to ten outstanding pre-consolidation Common Shares (as at the date hereof the board of directors of DiaMedica has not exercised the authority given by the shareholders to complete the consolidation of DiaMedica's share capital); (iii) make certain amendments to the by-laws of DiaMedica to clarify that the Company may issue its securities in uncertificated form; and (iv) renew the shareholder rights plan of DiaMedica.

On July 10, 2014, we announced the promotion of Dr. Mark Robbins to Executive Vice President.

On July 7, 2014, we announced the appointment of Richard Pilnik as Chairman of the Board of Directors. Mr. Pilnik will replace Rick Pauls as Chairman. Mr. Pauls will continue as President & CEO and a member of the Board of Directors. In connection with the appointment, the Company issued Mr. Pilnik 150,000 stock options in accordance with the Stock Option Plan at an exercise price of $0.69 and a term of 10 years.

On June 5, 2014, we provided a development update on our lead product candidates, DM199 and DM204. We also announced our plans to expand the clinical testing of DM199 in diabetic kidney disease patients while also developing DMDx, a companion diagnostic in vitro assay for kidney disease.

On June 3, 2014, we announced the appointment of Dr. Ralph A. DeFronzo to our Scientific Advisory Board.

On May 27, 2014, the Company announced the completion of a short form prospectus offering under which it issued approximately 3.1 million units at a price of $0.70 per unit for aggregate gross proceeds of approximately $2.2 million. Each unit was comprised of one common share in the capital stock of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share until May 27, 2016 at a price of $1.00 per share.

On April 24, 2014, the Company amended and restated the warrant indenture governing the warrants issued in connection with the Early Warrant Exercise Incentive Program to extend the expiry date of such warrants from May 8, 2014 to February 8, 2015.

On April 22, 2014, the Company filed a preliminary short form prospectus with the securities regulatory authorities in each of British Columbia, Alberta, Manitoba and Ontario to qualify common shares for sale to the public in those jurisdictions. As at the date hereof the Company has not filed the final prospectus.

On April 7, 2014, the Company announced the appointment of John Savage as the Company's Chief Financial Officer. Mr. Savage has more than 17 years of experience working with publicly traded companies in the U.S.

On February 19, 2014, the Company announced it had filed a Registration Statement on Form 20-F to register its common shares with the United States Securities and Exchange Commission.

On January 3, 2014, the Company announced the completion of a non-brokered private placement of 154,500 units at a price of $0.90 per unit for aggregate gross proceeds of approximately $139,000. Each unit was comprised of one common share in the capital stock of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share until December 23, 2015 at a price of $1.10 per share.

2013

On December 23, 2013, the Company announced the completion of a short form prospectus offering under which it issued a total of 2,888,910 units at a price of $0.90 per unit for aggregate gross proceeds of approximately $2.6 million. Each unit was comprised of one common share in the capital stock of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share until December 23, 2015 at a price of $1.10 per share.

On October 30, 2013, the Company announced that Elsevier Business Intelligence has named clinical drug DM199 as one of the *Top Cardiovascular/Metabolic Projects to Watch*. The Top 10 list is selected by an independent panel each year to highlight compounds that address a large, unmet market, strong science and a diversity of indications. Other criteria include the potential for new opportunities beyond initial indications, multi-level partnering opportunities and a strong company behind the compound. Companies selected in the Top Cardiovascular/Metabolic Projects to Watch were screened against strict criteria and are considered the most attractive cardiovascular/metabolic opportunities in the industry.

On March 22, 2013, the Company announced the completion of a short form prospectus offering under which it issued a total of 5,111,175 units at a price of $0.90 per unit for aggregate gross proceeds of approximately $4.6 million. Each unit was comprised of one common share in the capital stock of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share until March 22, 2016 at a price of $1.10 per share.

On February 22, 2013 the Company announced the resignation of David Allan from the board of directors.

In January 2013, DiaMedica announced that Mark Robbins, Ph.D., J.D., joined as Vice President, Clinical and Regulatory Affairs to oversee DiaMedica's clinical programs. Dr. Robbins has over 30 years of experience in biopharmaceutical drug development with broad therapeutic experience in endocrine/metabolic, cardiology, neurology, dermatology, and oncology. Dr. Robbins has developed and successfully implemented regulatory/clinical strategies leading to 11 successful NDA/BLA approvals.

2012

In November 2012, DiaMedica established its U.S. headquarters by opening an office in Minneapolis, Minnesota through its wholly owned subsidiary DiaMedica USA Inc. in order to take advantage of, among other things, the strong life sciences community and talented workforce in Minneapolis.

On September 11, 2012, the Company announced that it received gross proceeds of $1,706,325 pursuant to the completion of the early exercise warrant incentive program as previously announced on August 3, 2012, and the full exercise of associated outstanding broker warrants. The early exercise program resulted in the exercise of 878,800 July 2011 warrants at $1.50 per share for $1,318,200, representing 88% of the outstanding July 2011 warrants, and 100% of the 310,500 July 2011 broker warrants for $388,125.

On August 28, 2012 the Company announced that it has retained Cooley LLP ("**Cooley**") and Bill Christiansen, Ph.D., a partner in the Cooley, Patent and Patent Counseling & Prosecution practice group, as its primary legal counsel for intellectual property and legal advisor for partnering. Cooley is working closely with DiaMedica to expand the Company's patent portfolio, including recent freedom to operate and patentability analysis. They also will provide corporate representation to DiaMedica with regards to the company's ongoing partnership discussions.

On August 3, 2012 the Company announced that in accordance with the terms of the warrant indenture for the $1.50 warrants issued on July 22, 2011, the Company will provide the required written notice to holders of such warrants that the expiry date has been accelerated to the close of business September 7, 2012. Under the terms of the warrant indenture, if the 10-day volume weighted average trading price of the common shares of DiaMedica on the TSX Venture Exchange exceeds $2.00, then the expiry date of the warrant may be accelerated. Any warrants not exercised prior to the accelerated expiry date and time will expire without any further action being taken.

On May 8, 2012, the Company reported that it had received gross proceeds of $3,166,800 pursuant to the Early Warrant Exercise Incentive Program (as defined below).

In April 2012, the Company received conditional approval from the TSX Venture Exchange for an incentive program (the "**Early Warrant Exercise Incentive Program**") to encourage the early exercise of the 3,105,000 warrants, with an exercise price of $1.50 per common share, that were previously issued in connection with DiaMedica's short form prospectus offering on July 22nd, 2011 (the "Original Warrants").

In February 2012, DiaMedica was named as one of the TSX Venture Top 50 ® companies for 2012, an annual ranking of Canada's emerging publicly traded companies. TSX Venture 50 companies were chosen, with equal weighting assigned to each of the following criteria: share price appreciation, trading volume, market capitalization growth and analyst coverage.

Significant Acquisitions

No significant acquisitions were completed in the financial year ended December 31, 2013, nor have any been completed from the end of such financial year to the date hereof.

Trends

The pharmaceutical and biotechnology industry is challenged by increasing competition, downward pressure on drug pricing, increased drug development costs, regulatory approval times and shortened drug product life cycles. In order to compete in this industry, companies must consider ways to decrease the time and cost for developing products.

The success of the Corporation is dependent on bringing its products to market, obtaining the necessary regulatory approvals and achieving profitable operations in the future. The continuation of its research and development activities and the commercialization of its products are dependent on the Corporation's ability to successfully complete these activities and to obtain adequate financing through a combination of financing activities, operations, and partnerships. It is not possible to predict either the outcome of future research and development programs or the Corporation's ability to fund these programs going forward.

The Corporation continues to be focused on increasing shareholder value by advancing the development of:

- DM199 Program – a recombinant human tissue kallikrein-1 ("**rhKLK1**") protein with a focus on T2D and acute vascular diseases such as acute ischemic stroke ("**AIS**")

BUSINESS OF THE CORPORATION

Market sizes appearing in this AIF are estimates of potential markets only. The Company makes no claim that such figures represent sales figures actually anticipated should the Company successfully develop and receive approval for any of its product candidates.

Overview

DiaMedica is a development stage biopharmaceutical company primarily focused on large unmet diseases including novel approaches to treat acute vascular disease of the brain, kidney and heart. The primary focus will be on acute ischemic stroke (AIS) and acute kidney injury indications. DiaMedica's lead product, DM199, is a recombinant human tissue kallikrein-1 protein (rhKLK1), a first-in-class therapy engineered to improve endothelial function by vasodilation and by inducing new blood vessel growth (angiogenesis).

Stroke represents an area of tremendous unmet medical need. Published preclinical and clinical research with a naturally occurring tissue kallikrein-1 has demonstrated reduced blood pressure, cell death, inflammation and increased angiogenesis (creation of new blood vessels). As such, DiaMedica's recombinant form of tissue kallikrein-1 has the potential to treat a broad spectrum of clinical scenarios where re-establishing blood flow and reducing inflammation in patients is vital to preserving organ function (e.g. brain, kidney and heart). Lower tissue kallikrein-1 levels in the blood have also been independently associated with first-ever stroke and are an independent predictor of recurrence after an initial stroke.

A stroke is the rapidly developing loss of brain function(s) due to disturbance in the blood supply to the brain. As a result, the affected area of the brain is unable to function. According to the WHO, each year about 15 million people worldwide suffer a stroke of which 5.5 million will die and 5.0 million will be permanently disabled (WHO Cardiovascular Disease Atlas 16). Stroke is the third most common cause of death in developed countries. The countries of China and India have the highest number of deaths from a stroke per year. Risk factors for stroke include advanced age, hypertension (high blood pressure), previous stroke or transient ischemic attack **("TIA"**), diabetes, high cholesterol, cigarette smoking and atrial fibrillation. High blood pressure is the single most important modifiable risk factor of stroke.

Strokes can be classified into two major categories: acute ischemic stroke (AIS) and haemorrhagic stroke. Acute ischemic strokes are those that are caused by interruption of the blood supply by a blood clot (ischemia), while haemorrhagic strokes are the ones that result from rupture of a blood vessel or an abnormal vascular structure. About 87% of strokes are caused by ischemia, with the remainder via haemorrhage.

We seek to maximize shareholder value by advancing early-stage therapeutic agents to clinical testing and validation, with the goal of establishing late-stage development and commercialization partnerships with major pharmaceutical companies. These partnerships would provide significant revenues that include an upfront licensing fee, research and development funding, milestone-dependent payments and royalties on co-developed therapeutic products. Our growth strategy aims to expand our product pipeline of innovative therapeutics for diabetes and co-morbidities, and the extension of our technologies to other disease indications.

Product Pipeline

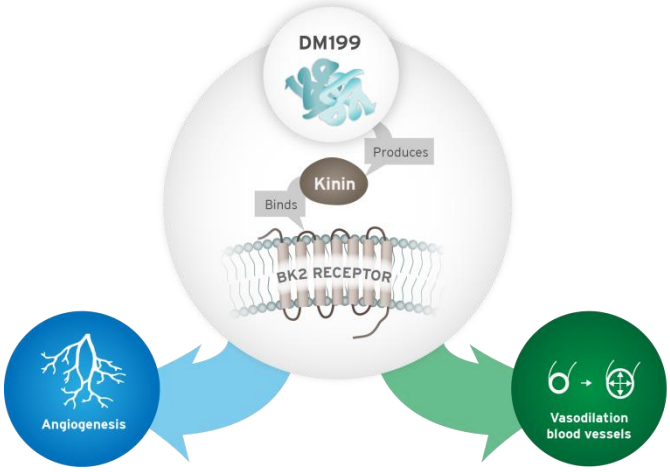
DM199 Program

A variety of catastrophic medical events such as a heart attack, acute kidney injury or stroke are a result of sudden reduced blood flow (ischemia), and endothelial dysfunction, which can lead to damaging inflammation and hypoxia at the cellular level. These events can begin from a variety of factors such as blood clot formation, sudden low blood pressure or trauma.

Published preclinical and clinical research with a naturally occurring tissue kallikrein-1 (KLK-1), derived from human urine, has demonstrated reduced blood pressure, cell death, inflammation and increased angiogenesis (creation of new blood vessels). Based on these findings, DiaMedica's DM199, a recombinant form of tissue

kallikrein-1, has the potential to treat a broad spectrum of clinical scenarios where re-establishing blood flow, reducing inflammation, and increasing angiogenesis in patients is vital to preserving organ function (e.g. brain, kidney and heart).

DM199 is believed to modulate the cell surface bradykinin 2 receptor ("B2R") in the kallikrein-kinin system ("KKS"). The KKS is an endogenous physiological system that when activated is noted to improve endothelial function leading to vasodilation, reduced inflammation and promotion of blood vessel growth during ischemia within body.



Acute Ischemic stroke (AIS)

AIS is the result of an acute blot clot formation leading to blood vessel blockage in the brain. The resulting reduction in blood flow (ischemia) leads to brain damage and death. A stroke can lead to permanent damage with memory loss, speech problems, reading and comprehension difficulties, physical disabilities and emotional behavioral problems being commonly observed outcomes.

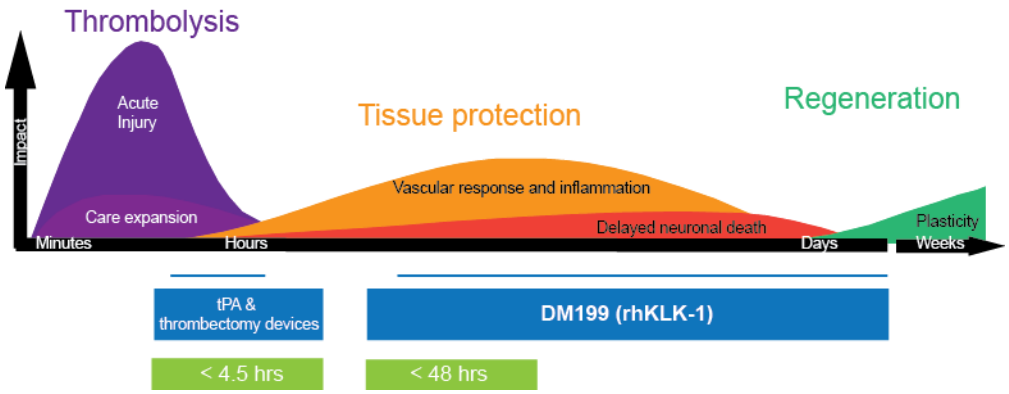
At the site of blood flow blockage, there exist two major ischemic zones - the core ischemic zone with only 10-25% blood flow, and the surrounding ischemic penumbra having partially reduced blood flow (Stroke. 2011 Jan;42(1 Suppl):S7-11). The core zone neuronal cells die from apoptosis (excitotoxicity) within minutes of stroke onset. The ischemic penumbra zone however may remain viable for several hours via collateral arteries that branch from the main occluded artery in the core zone. Unfortunately, penumbra zone neuronal cell death eventually occurs as collateral blood supply is inadequate to maintain cellular function indefinitely. As such, next generation stroke therapies are being developed to protect the viable cells of the penumbra with anti-apoptotic, pro-angiogenesis, or immunodulation functions during the hours to a week after a stroke (Int J Stroke. 2012 Jul;7(5):426-34. And Stroke. 2011 Jan;42(1 Suppl):S7-11).

According to the World Health Organization (WHO), each year about 15 million people worldwide fall victim to a stroke - of which 5.5 million will die and 5.0 million will be permanently disabled (WHO Cardiovascular Disease Atlas 16). According to the US Centers for Disease Control, in the US alone stroke kills almost 130,000 patients per year and is a leading cause of serious long-term disability (www.cdc.gov/stroke/faqs.html accessed April 2015). In addition the cost including health care services, medications and lost productivity is estimated to be around $34 billion (Circulation. 2015 ;e29-322).

Adding to the problem is that the only approved therapy in the US, tissue plasminogen activator (tPA) clot buster, is used on only 5-7% of those with an ischemic stroke. This is because of the limited 3-4.5-hours post-stroke therapeutic window of the therapy (Stroke. 2009 Aug;40(8):2945-8). As such, additional therapeutic options are of great needed.

Recent progress toward the development of safer and more effective treatments for ischemic stroke has been disappointing. Despite the fact that ischemic stroke is one of the leading causes of death and disability in the United States and worldwide, there has been little progress toward the development of treatments that improve the prognosis for stroke victims. The only FDA-approved drug currently available for ischemic stroke is the anti-clotting factor, tPA. According to current clinical guidelines, tPA must be administered to stroke patients within several hours after the occurrence of the ischemic stroke to remove the clot while minimizing potential risks, such as bleeding into the brain. Administration of tPA after three to four hours is not recommended, since it can cause cerebral bleeding or even death. As a consequence of this limited time window, only a small percentage of stroke victims are treated with the currently available therapy - most simply receive supportive or "palliative" care. The long-term costs of stroke are substantial, with many patients requiring extended hospitalization, extended physical therapy or rehabilitation (for those patients that are capable of entering such programs), and many require long-term institutional or family care.

CURRENT STROKE THERAPY LIMITED TO 4.5 HOUR WINDOW



Modified from Int J Stroke. 2012 Jul;7(5):426-3

DM199 is being positioned to treat ischemic stroke patients several hours after a stroke with the potential to be effective up to 48 hours after a ischemic stroke, filling a large unmet need. DM199 may also be effective when administered in combination with tPA (European Rev for Med & Pharmcol Sci (2015) 19: 1009-1012).

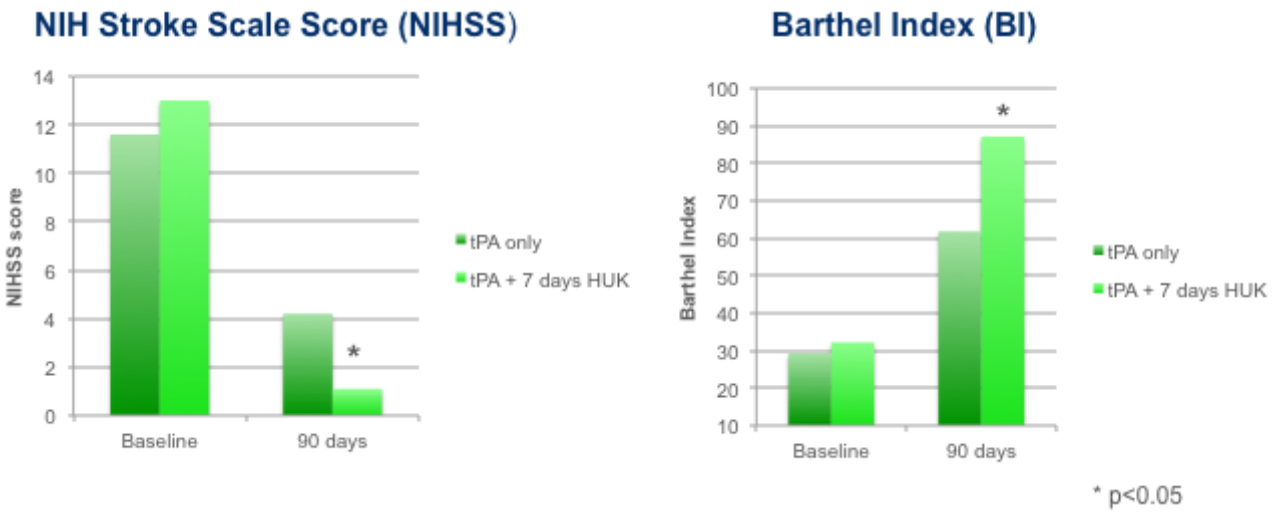
Urinary Tissue Kallikrien-1

KLK-1 derived from human urine has been widely tested and clinically approved in China to treat AIS. This protein therapy, often referred to as human urinary kallidinogenase (HUK), is given as an intravenous treatment. Techpool Bio-Pharma Inc. manufactures and markets HUK in China for AIS for treatment to start within 48 hours after a stroke and was approved in 2005. The Company believes HUK is widely used today in China.

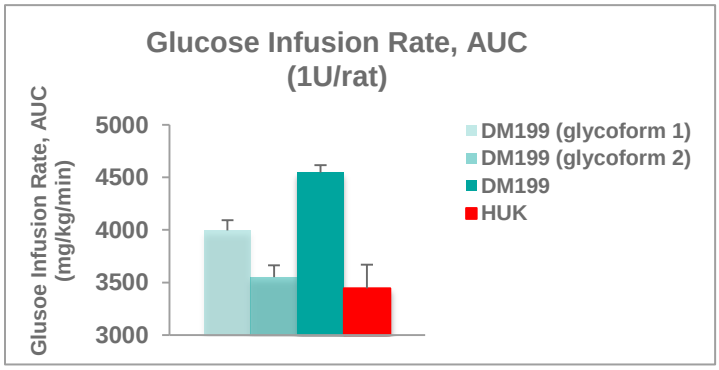
In a double-blinded, placebo controlled trial of 446 patients treated with HUK or placebo up to 48 hours. after a stroke, significant differences were found in the European Stroke Scale and Activities of Daily Living at 3 weeks of treatment and at 3 months using the Barthel Index in HUK treated vs placebo (Chin J Neurol, May 2007, Vol 40, No 5). Furthermore, a meta analysis of 24 clinical trials involving 2433 AIS patients treated with HUK suggests that the treatment ameliorates neurological deficits in patients and improves long term outcomes, although this finding needs to be further validated in high quality, large scale randomized trials (J Evid Based Med. 2012 Feb;5(1):31-9).

Urinary KLK1 + TPA to Treat Ischemic Stroke

In a 200 patient Phase 2 stroke study, HUK (given for 7 days after the stroke) when combined with tPA (given within 4.5 hours) significantly reduced the NIHSS score and significantly increased the Barthel Index (BI) score compared to tPA alone, 90 days after the stroke (European Rev for Med & Pharmcol Sci (2015) 19: 1009-1012).



DiaMedica believes that their proprietary manufacturing process of DM199 (recombinant human KLK-1), allows for a higher purity and lower cost of goods product in comparison to HUK while also addressing any potential supply constraints. These factors make DM199 a better-positioned product for regulatory approval worldwide as a recombinant protein is able to meet the rigorous manufacturing standards required for approval in comparison to a urine-derived protein.



Furthermore, DiaMedica has directly tested DM199 against HUK in a hyperinsulinemic-euglycemic clamp rat model. The proprietary glycoform mixture (DM199) was shown to perform better then each glycoform (1 or 2) and HUK ($p<0.001$) as measured by glucose infusion rate (GIR).

In a single preclinical stroke study, DM199 and the positive control (HUK) did not show change in sensory motor skills. The Company may initiate additional preclinical studies.

Tissue Kallikrein-1 Biomarkers

In addition to reports of ameliorating cognitive deficits, patients treated with HUK have been shown to affect several biomarkers associated with stroke. For example it has been suggested that MMP-9 levels may be an important prognostic marker for stroke (Eur Neurol 2014;72:79–80 and Curr Probl Psychiatry 2011; 12(1): 38-40) and patients treated with HUK resulted in a significant improvement in neurological scores (NIHSS and BI) and a reduction in the circulating MMP-9 levels (Chin J. Postgrad Med, March 25, 2012, Vol 35, No. 9). A separate 60 patients study using HUK (Medical Recapituate (2014) Vol 20 No 18.) found a significant reduction in the levels of C-reactive protein (CRP), a broad marker for inflammation and an increase in the levels of vascular endothelial growth factor (VEGF), a marker of angiogenesis.

AIS Market

AIS is the result of an acute blot clot formation leading to blood vessel blockage in the brain. The resulting reduction in blood flow leads to brain damage and death. A stroke can lead to permanent damage with memory loss, speech problems, reading and comprehension difficulties, physical disabilities and emotional behavioral problems being common. Risk factors for stroke include advanced age, hypertension (high blood pressure), previous stroke or TIA, diabetes, high cholesterol, cigarette smoking and atrial fibrillation. High blood pressure is the single most important modifiable risk factor of stroke.

The following is a summary of the AIS market (WHO Cardiovascular Disease Atlas 16):

- 15 million people worldwide suffer a stroke
- 5.5 million will die and 5.0 million will be permanently disabled
- Stroke is the third most common cause of death in developed countries
- China and India have the highest number of deaths from a stroke per year

Stroke is one of the most important causes of morbidity and long-term disability. The estimated cost including health care services, medications and lost productivity is estimated to be around $34 billion in the US alone (Circulation. 2015 ;e29-322).

Competitive AIS Drug Therapy Market

The current market for AIS therapy is limited due to the restricted use of tPA in a small portion of patients (~5-7%) that arrive to hospital almost immediately after stroke onset (3.0-4.5 hour window). World-wide sales of Activase for 2011 was approximately $500 million (BioCentruy (2012) Feb 6).

Therapies in Development for AIS

With a large unmet need for AIS therapies, the race is on to development new therapeutic options. Next generation therapies are being designed to work after the tPA therapeutic window. The goal is to provide treatment options for the vast majority of AIS patients who do not receive hospital care early enough to qualify for tPA therapy.

Summary of selected AIS therapies in Development

Class	Mode of action	Development Stage	Therapeutic Window
Small molecules, peptide and protein based therapies	Inhibition of neuron damaging molecules or activation of neuroprotective cell receptors and/or genes	Phase I-III	Hours to days after a stroke
Cell-based therapies	Stem cells to regenerate or repair damaged neuronal tissue	Phase I-II	Days to months after a stroke
Medical Devices	Revascularization & clot removal	Recent Approvals	Hours after a stroke

The above represents some of the major treatment classes for the treatment of acute ischemic stroke; other treatment approaches may also be in development. See the Competition section under "risks related to our business and our industry" for further information.

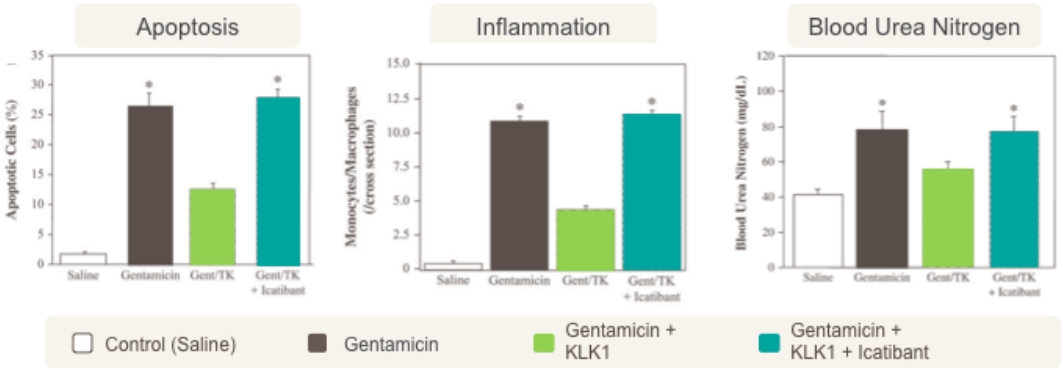
Acute Kidney Injury (AKI)

Acute Kidney Injury is the sudden loss of kidney function over a 1-2 day period of time. This loss of function is measured by an increase in serum creatinine and decrease in urine output. Reduced blood flow into the kidney or damage within the kidney (inflammation or necrosis) limits the ability to filter blood.

AKI occurs in approximately 20-67% of patients admitted to the intensive care unit (Drug Discovery World Spring 2014: 26-31) leading to ~$10 billion in annual US-based hospital costs (J. Am. Soc. Nephrol. 2005;16:3365-3370). Additionally, patients with AKI are more likely to progress to chronic kidney disease and end-stage renal disease. As such, there is an estimated ~2 million cases of hospital setting AKI each year in the western world, with a mortality rate ranging from 15-60%. The most common causes of AKI are sepsis, burns, trauma, heart attack or heart surgery, imaging contrast agents, nephrotoxic drugs (e.g. chemotherapeutics, antibiotics, NSAIDs).

Currently, there are no therapeutic options to treat or prevent the onset of AKI. DM199 has the potential to be effective in preserving kidney function or limiting the damage caused during AKI.

In a preclinical model of AKI, it was shown that intravenous injection of KLK-1 helped to reduce renal cell apoptosis, inflammation, renal dysfunction (Toxicol. Sci. (2008) 102(2): 433-443) compared to placebo control. An antibiotic Gentamicin was used to induce AKI in the animal model.



DiaMedica plans to further explore the clinical use of DM199 in acute vascular disease conditions via the intravenous route. The intravenous route is more conducive to the acute use; hospital setting in which rescue therapy would be required for acute vascular diseases. Additionally, the intravenous route is used for HUK and appears to be efficacious for the treatment of AIS in China.

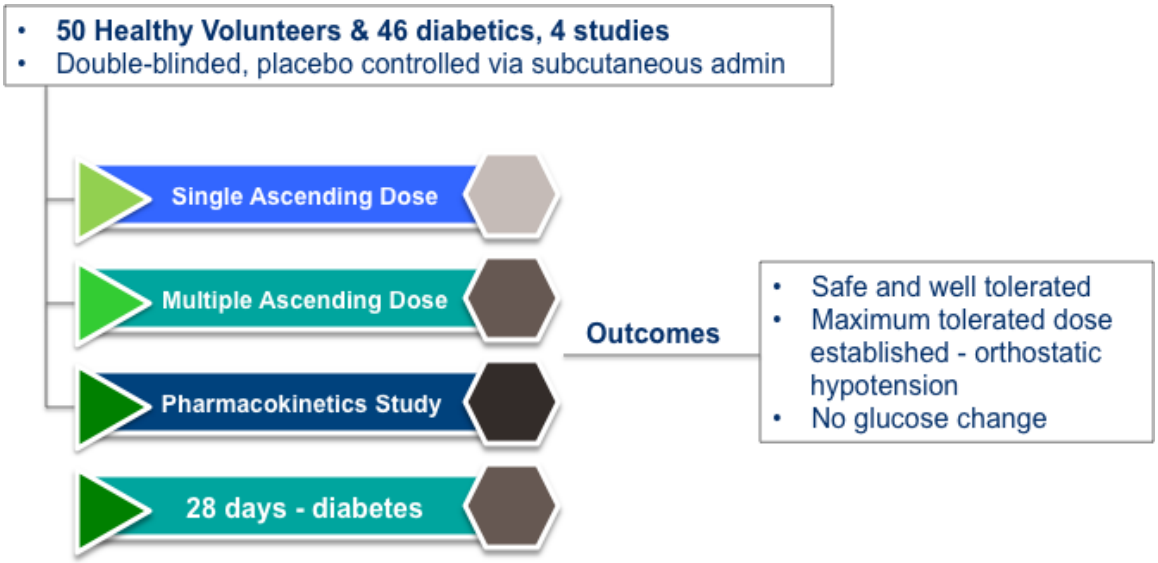
Diabetes

Diabetes is a disease in which the body does not produce or properly use insulin. Insulin is a hormone released from beta cells located in islets of the pancreas that is needed to help control blood sugar levels, and determines which energy source (carbohydrates or fats) are used to fuel daily life.

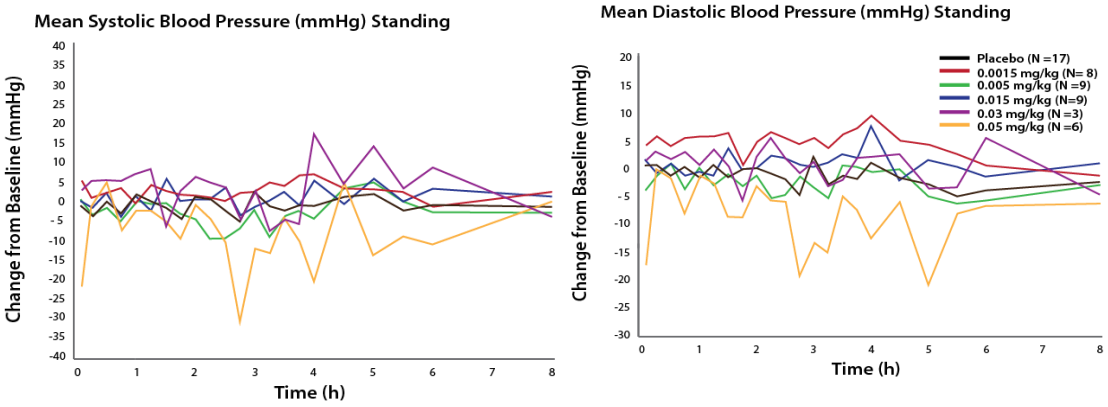
DiaMedica's lead product, DM199, is a recombinant human protein was initially targeted for the treatment of T2D and its complications. We believe that the ability of DM199 to restore and improve blood glucose control may improve a patient's quality of life by decreasing glucose fluctuations resulting in reduced risk of long-term complications of diabetes. We believe DM199 has the potential to treat multiple aspects of metabolic syndrome, a disorder of energy utilization and storage which increases the risk of diabetes.

DM199 Clinical Summary

We have successfully conducted three Phase 1 clinical trials in 50 healthy volunteers consisting of single ascending, multiple ascending and PK dosing studies. Results in healthy volunteers show that DM199 was well-tolerated and demonstrated a favorable PK profile with extended half-life (time required to reduce concentration of drug in body by one-half), supporting potential once weekly dosing.



The dose limiting tolerability was orthostatic hypotension at dose levels greater than anticipated efficacious dosing levels and is consistent with the DM199 mechanism of action. A primary adverse event of urinary KLK1 at high doses has been hypotension.

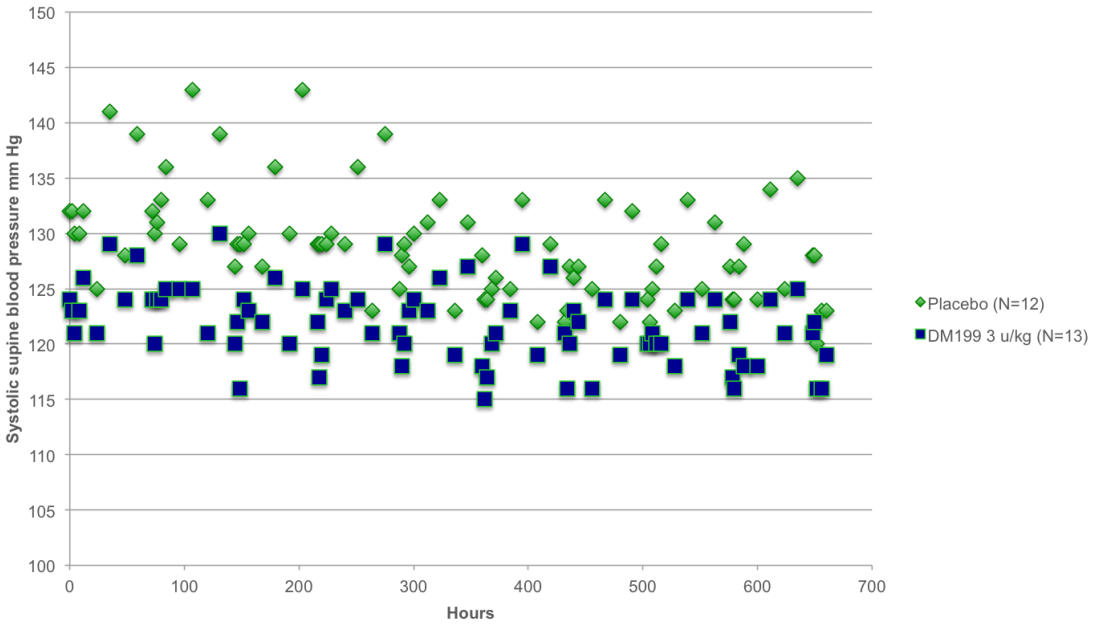


DiaMedica has also successfully completed a Phase 1b in T2D patients. The randomized, double-blinded, placebo-controlled study enrolled ten T2D patients. The patients were dosed with either DM199 at three single ascending dose levels or placebo over an 8-day period. DM199 was well-tolerated at all three dose levels by the diabetic patients with no dose limiting side effects.

A follow-on Phase 2a trial was conducted in 36 Type 2 diabetes patients. The patients were given DM199 once every 3 days for a total of 16 doses over a period of a month following a one month washout period. The month long exposure was well tolerated by the patients, however, the trial did not demonstrate any significant differences between placebo and treatment groups with regards to glucose control.

Blood pressure was also monitored during the Phase 2a trial and the Company is further analyzing the results.

Systolic Blood Pressure (mmHg) Supine



DM199 Program Summary

On February 2, 2015, the Company announced it would pursue the development of DM199 towards acute vascular disease of the brain, kidney and heart. The primary focus will be on acute ischemic stroke and acute kidney injury indications. DM199 has the potential to treat a broad spectrum of clinical scenarios where re-establishing blood flow and reducing inflammation in patients is vital to preserving organ function (e.g. brain, kidney and heart).

On November 17, 2014, the Company announced top-line results of its Phase IIa proof of concept clinical trial of DM199 in patients with T2D. The Company's Phase IIa clinical trial met its primary endpoint. The study demonstrated that DM199 was safe and well tolerated following administration to patients by subcutaneous injection (beneath the skin). However, based on the Company's initial assessment, DM199 treatment did not achieve the secondary objectives of improvement in glucose control. The Company is continuing to evaluate data as it becomes available.

On January 8, 2014 we released results of our 16-day Phase 1 multiple ascending dose ("**MAD**") clinical trial of DM199 in healthy volunteers. DM199 was well-tolerated at all three dose levels and met the primary endpoints of safety and tolerability. DM199 also demonstrated a favorable pharmacokinetic ("**PK**") profile supporting the potential for weekly dosing. Based on the Phase 1 MAD clinical results, we initiated dosing in a Phase 2 clinical study in patients with T2D to evaluate the safety, tolerability and PK of two dose levels of DM199 and its pharmacodynamic effects on diabetes biomarkers including: the homeostatic model assessment for insulin resistance ("**HOMA2-IR**"), fasting glucose and plasma insulin, meal tolerance test, lipids, HbA_{1c} and other metabolic markers. The randomized, double-blinded, placebo-controlled study is expected to enroll 36 patients with T2D. The patients start with a one-month wash out of their diabetes medications and then are sequestered for the one-month study.

In September 2013, we successfully completed the second portion of our DM199 dose-escalation clinical trial of DM199 in T2D patients. The study achieved its primary clinical endpoints of demonstrating the safety, tolerability and sustained PK properties of DM199 at escalating doses, while the pharmacodynamic effects were consistent with an insulin sensitization mechanism of action for T2D. Insulin sensitizers lower a patient's blood sugar levels by increasing the body's response to insulin over time.

In August 2013, we completed enrollment of T2D patients for the second portion of the DM199 clinical trial. This second portion of the DM199 clinical trial was a randomized, placebo-controlled, double-blinded dose-escalation study in T2D patients to evaluate the acute safety, tolerability and PK properties of DM199 following three single escalating doses, as well as its pharmacodynamic effects on glucose control.

In June 2013, we successfully completed the first portion of the clinical trial: an acute escalating dose study of DM199 at multiple levels in healthy volunteers. Results from the study showed that DM199 was well-tolerated, with a favorable PK profile supporting potential once-weekly dosing.

In April 2013, we received regulatory approval in the Netherlands to commence a Phase 1/2 clinical trial for DM199, to evaluate the safety, tolerability, PK and efficacy of DM199 in 36 healthy volunteers and in 40 T2D patients. Data from this trial will also support future DM199 clinical trial regulatory filings for Type 1 Diabetes ("**T1D**"), T2D and for other potential indications.

In January 2013, we successfully completed cGMP manufacturing of DM199 to be utilized in upcoming clinical trials. Additionally, we successfully completed GLP (Good Laboratory Practice) compliant toxicology studies in non-human primates and rat models, demonstrating DM199 to be safe and well-tolerated in repeated high dose administrations.

Regulatory Process

Regulatory Approval

Securing final regulatory approval for the manufacture and sale of human therapeutic products in the US, Europe, Canada and other commercial territories, is a long and costly process that is controlled by that particular territory's national regulatory agency. The national regulatory agency in Canada is Health Canada, in the US it is the Food and Drug Administration ("FDA"), and in Europe it is the European Medicines Agency or EMA. Other national regulatory agencies have similar regulatory approval processes, but each national regulatory agency has its own approval processes. Approval in either Canada or the US does not assure approval by other national regulatory agencies, although often test results from one country may be used in applications for regulatory approval in another country.

Prior to obtaining final regulatory approval to market a drug product, every national regulatory agency has a variety of statutes and regulations, which govern the principal development activities. These laws require controlled research and testing of products, government review and approval of a submission containing preclinical and clinical data establishing the safety and efficacy of the product for each use sought, approval of manufacturing facilities including adherence to good manufacturing practices ("**GMP**") during production and storage, and control of marketing activities, including advertising, labeling and pricing approval.

None of our products have been completely developed or tested and, therefore, we are not yet in a position to seek final regulatory approval to market any of our products.

US Approval Process

In the US, the FDA, a federal government agency, is responsible for the drug approval process. The FDA's mission is to ensure that all medications on the market are safe and effective. The FDA's approval process examines potential drugs; only those that meet strict requirements are approved.

The US food and drug regulations require licensing of manufacturing facilities, carefully controlled research and testing of products, governmental review and approval of test results prior to marketing of therapeutic products, and adherence to GMP, as defined by each licensing jurisdiction, during production.

The drug approval process begins with the discovery of a potential drug. Pharmaceutical companies then test the drug extensively. A description of the different stages in the drug approval process in the US follows.

Stage 1: Preclinical Research. After an experimental drug is discovered, research is conducted to help determine its potential for treating or curing an illness. This is called preclinical research. Animal studies are conducted to determine if there are any harmful effects of the drug and to help understand how the drug works.

Information from these experiments is submitted to the FDA in an IND. The FDA reviews information in an IND Application and decides if the drug is safe to study in humans.

Stage 2: Clinical Research. In Stage 2, the experimental drug is studied in humans. The studies are known as clinical trials. Clinical trials are carefully designed and controlled experiments in which the experimental drug is administered to patients to test its safety and to determine the effectiveness of an experimental drug. The four general phases of clinical research are described below.

Phase 1 Clinical Studies. Phase 1 clinical studies are generally conducted with healthy volunteers who are not taking other medicines; patients with the illness that the drug will treat are not tested at this stage. Ultimately, Phase 1 studies demonstrate how an experimental drug affects the body of a healthy individual. Phase 1 consists of a series of small studies consisting of "tens" of volunteers. Tests are done on each volunteer throughout the study to see how the person's body processes, responds to and is affected by the drug. Low doses and high doses of the drug are usually studied, resulting in the determination of the safe dosage range in volunteers by the end of Phase 1. This information will determine whether the drug proceeds to Phase 2.

Phase 2 Clinical Studies. Phase 2 clinical studies are conducted in order to determine how an experimental drug affects people who have the disease to be treated. Phase 2 usually consists of a limited number of studies that help determine the drug's short-term safety, side effects and general effectiveness. The studies in Phase 2 often are controlled investigations, involving comparison between the experimental drug and a placebo, or between the experimental drug and an existing drug. Information gathered in Phase 2 studies will determine whether the drug proceeds to Phase 3.

Phase 3 Clinical Studies. Phase 3 clinical studies are expanded controlled and uncontrolled trials that are used to more fully investigate the safety and effectiveness of the drug. These trials differ from Phase 2 trials because a larger number of patients are studied (sometimes in the thousands) and because the studies are usually of longer duration. As well, Phase 3 studies can include patients who have more than one illness and are taking medications in addition to the experimental drug used in the study. Therefore, the patients in Phase 3 studies more closely reflect the general population. The information from Phase 3 forms the basis for most of the drug's initial labeling, which will guide physicians on how to use the drug.

Phase 4 Clinical Studies. Phase 4 clinical studies are conducted after a drug is approved. Companies often conduct Phase 4 studies to more fully understand how their drug compares to other drugs. Also, the FDA may require additional studies after the drug is approved. FDA-required Phase 4 studies often investigate the drug in specific types of patients that may not have been included in the Phase 3 studies. FDA-required Phase 4 studies also can involve very large numbers of patients to further assess the drug's safety.

Stage 3: FDA Review for Approval. Following Phase 3, the pharmaceutical company prepares reports of all studies conducted on the drug and a complete dossier on the manufacturing of the product and submits the reports to the FDA in a New Drug Application ("NDA"). The FDA reviews the information in the NDA to determine if the drug is safe and effective for its intended use. Occasionally, the FDA will ask experts for their opinion of the drug. If the FDA determines that the drug is safe and effective, the drug will be approved.

Stage 4: Marketing. After the FDA has approved the experimental drug, the pharmaceutical company can make it available to physicians and their patients. A company also may continue to conduct research to discover new uses for the drug. Each time a new use for a drug is discovered, the drug once again is subject to the entire FDA approval process before it can be marketed for that purpose.

European Approval Process

The European Medicines Agency is roughly parallel to the U.S. FDA in terms of the drug approval process and the strict requirements. The EMA was set up in 1995 in an attempt to harmonize (but not replace) the work of existing national medicine regulatory bodies in individual European countries. As with the FDA, the EMA drug review and approval process follows different stages from preclinical testing through clinical testing in Phase 1, 2 and 3. There also are some differences between the FDA and EMA review process, and specifically the review process in individual European countries. Such differences may allow certain drug products to be tested in patients at an earlier stage of development.

Business Strategy

Our goal is to use our patented and licensed technologies to establish the Company as a leader in the development and commercialization of therapeutic treatments for novel approaches to treat acute vascular disease of the brain, kidney and heart. The primary focus will be on acute ischemic stroke (AIS) and acute kidney injury indications. DiaMedica's lead product, DM199, is a recombinant human tissue kallikrein-1 protein (rhKLK1), a first-in-class therapy engineered to improve endothelial function by vasodilation and by inducing new blood vessel growth (angiogenesis).

Clinical Development Collaborations

We plan to advance our lead drug candidates through Phase 1 and Phase 2 clinical trials as appropriate to create shareholder value by establishing their clinical and commercial potential as therapies for AIS, AKI and T2D. We will consider opportunities for negotiating the terms of corporate partnerships during the drug's development program. As we develop our lead drug candidates, we intend to work with third party clinical research organizations ("**CROs**") to perform and manage clinical trials. We intend to supplement our in-house clinical and regulatory capabilities in the design and implementation of clinical trials by entering into partnerships with external consultants, collaborators and CRO's.

Commercialization Partnerships and Other Strategic Initiatives

Where appropriate, we intend to seek corporate partnerships or other strategic initiatives with established pharmaceutical and biotechnology companies to continue the development of our technologies through later stage clinical trials. We plan to enter into agreements with such pharmaceutical and biotechnology companies to conduct Phase 3 trials, file the appropriate NDA and ultimately market and sell the drug products we develop. We believe this will eliminate the need for us to raise the significant capital required to perform the large multi-centre pivotal trials required for regulatory approval of our drug candidates and to build the resources necessary to market prescription pharmaceuticals and thereby mitigate the risks inherent in late-stage clinical drug development. We are under confidentiality agreements with numerous pharmaceutical firms and have ongoing discussions and correspondence, including proposed terms, regarding partnering and other strategic initiatives in connection with licencing some or all of our products, however, such discussions and other correspondence have not yet resulted in any binding agreements and there is no assurance that they ever will. Additionally, there is no assurance that we will secure the type of partnership or strategic initiative discussed above.

Strategic Technology Partnerships

We intend to seek partnerships to out-license our existing technologies to others for additional potential indications and uses that may be validated or discovered in the future. These partnerships would enhance the value of our intellectual property and could allow for the development of these additional indications without the need to acquire the resources needed for in-house development.

Financial Strategy

To maintain our pipeline development as well as capitalizing on opportunities to expand the pipeline, the Company will seek to raise additional funds through:

(i) The issuance of equity of the Company; and/or

(ii) Establishment of partnership agreements or acquisition with pharmaceutical, biopharmaceutical and/or biotechnology companies for products and technologies under development by DiaMedica.

Intellectual Property

DiaMedica's patent portfolio includes, pending applications that are owned by us, which include claims for composition of matter, and methods of use . For our DM199 program, this includes two patent families that are directed to composition of matter, and methods of use.

The following is a summary of some of our patents.

Composition of Matter:	• DM199: Glycosylation & sialic acid content – novel structure (2033)
Method of Use	• DM199 subcutaneous delivery with improved PK profile (2033)
Freedom to Operate DM199	• As at the date hereof we have not detected or are aware of any third party patents that could block commercialization.

For a summary of license agreements whereby we licence certain intellectual property please see "Material Contracts".

DM199 Program

The DM199 patent families protect composition of matter including glycoforms, formulations, methods of administration, and a variety of therapeutic and diagnostic approaches pertaining to metabolic disorders including diabetes. All intellectual property associated with development, manufacturing and testing of DM199 in disease models is owned exclusively by the Company. We currently have patent applications for DM199 composition of matter and method of use. The Company recognizes many third party patents claim techniques used in the development and manufacture of recombinant proteins, and we have endeavoured to use manufacturing technologies that are free of third party patents. Additionally, for manufacture of DM199 we have licensed an expression system and cell line with proven GMP and regulatory support, and are contracting with a contract manufacturing organization ("**CMO**") with proven GMP experience in manufacturing of recombinant proteins for clinical trials.

General

DiaMedica views patents and other means of intellectual property protection as essential to the Company's core business by translating DiaMedica's innovations into tangible property and protecting the Company's proprietary technology from infringement by competitors. To that end, patents frequently are reviewed and continue to be sought in relation to those components or concepts of the Company's preclinical and clinical products to ensure a high level of protection is obtained. DiaMedica's strategy, where possible, is to file patent applications to protect its products, as well as methods of manufacturing, administering and using the products. Prior art searches of both patent and scientific databases are performed to determine novelty, inventiveness and freedom-to-operate. The Company requires all employees, consultants, and parties to collaborative research agreements to execute confidentiality agreements upon the commencement of employment, consulting relationships or a collaboration with the Company. These agreements require that all confidential information developed or made known during the course of the engagement with DiaMedica is to be kept confidential. DiaMedica also maintains agreements with scientific staff and all parties contracted in a scientific capacity, providing that all inventions resulting from work performed for DiaMedica, using DiaMedica's property, or relating to DiaMedica's business and conceived or completed during the period covered by the agreement are the exclusive property of DiaMedica.

Reorganizations

On August 31, 2007, the Company incorporated DiaMedica Europe Limited pursuant to the *Companies Act 1985 & 1989* of England and Wales, as a wholly-owned subsidiary of the Company. DiaMedica Europe Limited was dissolved in the second quarter of 2011.

On June 30, 2010, the Company acquired all the outstanding shares of Sanomune, a private biotechnology company. Subsequently, Sanomune was dissolved and a Certificate of Dissolution was issued by the Director, Manitoba Companies Office, on April 14, 2011. As part of the dissolution of Sanomune all of its assets were transferred to DiaMedica.

Management

Rick Pauls, MBA

Chairman, President and CEO

Mr. Rick Pauls was appointed President and CEO of DiaMedica in July 2009 and has been Chairman of the board of directors since 2008. Mr. Pauls previously was the Managing Director of CentreStone Ventures Inc., an early stage life sciences venture capital fund. Prior to CentreStone, he was with Centara Corporation, another early stage venture capital fund. Before this, Mr. Pauls specialized in asset-backed securitization and structured finance with General Motors Acceptance Corporation in Minnesota. He received his Bachelor of Arts in Economics from the University of Manitoba and his M.B.A. in Finance from the University of North Dakota.

Mark Williams, Ph.D.

Vice President of Research

Dr. Williams earned his Ph.D. at the University of Alberta in the laboratory of Dr. Lorne Tyrrell, who discovered Lamivudine®, for the treatment of Hepatitis B. Dr. Williams was the co-founder of Sanomune, a company focused on neurological and autoimmune disorders. He is an inventor on more than 10 patents and has been awarded several research grants. He has overseen the approval of five Phase 2 clinical trials in therapeutic areas ranging from

diabetes and Alzheimer's disease, to rheumatoid arthritis. Three of these products have successfully completed Phase 2 clinical trials.

David Gurvey

Vice-President, Finance

Mr Gurvey is a Chartered Professional Accountant (CPA, CMA) and holds a B.Sc with an emphasis in biochemistry. Prior to joining DiaMedica, Mr. Gurvey has held Chief Financial Officer positions with both public and private companies. Mr. Gurvey began his career with Ernst & Young Chartered Accountants. Subsequently, he turned his attention to entrepreneurial endeavors and founded or co-founded several business including food product manufacturing, construction and home building and oil and gas. He also spent time as the Business Development representative for a division of Westcoast Energy involved with energy management

Dennis D. Kim, MD, MBA

Consulting Chief Medical Officer

Dr. Kim is a board-certified endocrinologist and a founding member/Principal of MetaCon, Inc. Dr. Kim previously served in a variety of senior executive positions in the biopharmaceutical industry including Senior Vice President of Medical Affairs at Orexigen Therapeutics a public biotech company focused on obesity pharmacotherapy, Vice President, Medical Affairs and Chief Medical Officer of EnteroMedics, Inc, and various senior management positions at Amylin Pharmaceuticals, Inc. over 7 years, including Executive Director of Corporate Strategy and the program medical lead for development and commercialization of Byetta® (exenatide) for treatment of T2D. Dr. Kim completed his fellowship in Endocrinology/Metabolism at University of California, San Diego (UCSD) during which time he investigated the pathophysiology of diabetes and metabolic syndrome. He is extensively published in top peer-reviewed medical and scientific journals with over 50 publications to his name. Dr. Kim also received an MBA degree with honors from UCSD Rady School of Management. He continues to provide medical care to patients as a Clinical Assistant Professor of Medicine at UCSD.

Board of Directors

Michael Giuffre, M.D.

As a Clinical Professor of Cardiac Sciences and Pediatrics at the University of Calgary, Dr. Giuffre maintains a portfolio of clinical practice, cardiovascular research and university teaching. He is actively involved in both health care administration, and the biotechnology business sector. As a biotechnology consultant, Dr. Giuffre has been involved with RedSky Inc. (acquired by Research in Motion), MDMI, and MedMira Inc. He is currently on the board of directors of FoodChek Inc, and SCS Inc. In addition, Dr. Giuffre is currently a board member of the Canadian Medical Association and a past board member of Unicef Canada and the Alberta Medical Association. Dr. Giuffre has received a Certified and Registered Appointment and a Distinguished Fellow appointment by the American Academy of Cardiology. In 2005, he was awarded Physician of the Year by the Calgary Medical Society. Dr. Giuffre is former President of the Calgary and Area Physicians Association (CAPA) and a past representative to the board of the Calgary Health Region. Dr Giuffre holds a Bachelor of Science in cellular and microbial biology, a PhD candidacy in molecular virology, an MD and an MBA. His Canadian Royal College board certified specialties include Pediatrics and Pediatric Cardiology with a subspecialty in Pediatric Electrophysiology.

Rick Pauls

Mr. Pauls biography is under the heading "*Management*".

Richard Pilnik (Chairman)

Mr. Pilnik recently retired as EVP and President of Quintiles Commercial Solutions, a global pioneer in pharmaceutical services.Mr. Pilnik previously spent 25-years at Eli Lilly and Company, where he held several leadership positions. As Group Vice President and Chief Marketing Officer at the company, he was directly responsible for commercial strategy, market research, new product planning and the medical marketing interaction. As President of Eli Lilly Europe, Middle East and Africa and the Commonwealth of the independent States (CIS), a regional organization of former Soviet Republics, he oversaw 50 countries and positioned Eli Lilly as the fastest growing pharmaceutical company in the region. During his tenure at Eli Lilly, Mr. Pilnik also held several marketing and sales management positions in the United States, Europe and Latin America.Mr. Pilnik sits on the board of directors of Elan Corporation, a successful bio-pharmaceutical company with research, development and commercial activities directed towards neurodegenerative diseases, including Alzheimer's and Parkinson's disease. He holds a Bachelor of Arts in Economics from Duke University and an MBA from the Kellogg School of Management at Northwestern University.

Dawson Reimer

Mr. Reimer has served as the President and Chief Operating Officer of Medicure Inc. since July 2011. From June 2004 to July 2011, he served as the company's Vice President of Operations. Mr. Reimer has overseen most aspects of Medicure's business including product development and all facets of the company's commercial sales and marketing operations. Mr. Reimer has consulted for a number of public and private life science companies and currently serves as Chair of the Life Science Association of Manitoba. Mr. Reimer holds a Master's Degree in Economic Development from the University of Waterloo.

Thomas Wellner

Mr. Wellner serves as President and CEO of Revera, a leading provider of seniors' accommodations, care and services. Prior to Revera, he served as President and CEO of CML HealthCare, Canada's leading diagnostic imaging provider, and co-CEO of LifeLabs, Canada's largest laboratory services company. Mr. Wellner's experience includes several leadership positions during a 20-year career at Eli Lilly and Company, most recently as Global Brand Leader for Insulin and Devices. His track record at Eli Lilly was exceptional and included worked all over the world in various positions. He designed and set up Lilly's re-entry into the Chinese market and was the first marketing manager for Lilly in China. In 2000, he moved to London to become Executive Director of Eli Lilly European Operations Marketing, Sales and IT before being appointed to President and General Manger of Eli Lilly Deutschland Gmbh. Mr. Wellner sits on the board of FreshBooks, a successful internet company; Cipher Pharma, a specialty pharmaceutical company; and Atlantic Healthcare, a company focused on the acquisition and marketing of pharmaceutical products primarily serving the European and North American specialist-driven hospital markets. He is also a board member of Life Sciences Ontario (LSO - Industry Association). Mr. Wellner holds a Bachelor of Science with Honours in Life Sciences from Queen's University.

Scientific Advisors

John Amatruda, MD

Dr. John Amatruda is a senior pharmaceutical research executive and the former Senior Vice President and Franchise Head for Diabetes and Obesity at Merck Research Laboratories. Under Dr. Amatruda's leadership, the development program and regulatory approvals of Januvia™ and Janumet™ – the first compounds in the important class of DPP-IV inhibitors for type 2 diabetes – were initiated and completed. While at Merck, he was also a member of the Research Management Committee and acting Therapeutic Area Head for Cardiovascular Disease while at Merck. In addition to his tenure at Merck, Dr. Amatruda started and ran a drug discovery group at Bayer Corp, where he served as Vice President and Therapeutic Area Research Head for Metabolic Disorders research.

More recently, Dr. Amatruda was on the Scientific Advisory Board of Marcadia Biotech Inc., a preclinical stage type 2 diabetes / obesity company that was acquired by Roche Holding Ltd., of Basel, Switzerland in December 2010. He also served as an Adjunct Professor of Medicine at the Yale University School of Medicine and a Professor of Medicine at the University of Rochester School of Medicine. He is board certified in internal medicine, endocrinology and metabolism and has a proven track record in academics and pharmaceutical discovery research and development, including several novel candidate compounds, Investigational New Drugs (INDs), translational studies, development programs and four New Drug Applications (NDAs).

Dr. Amatruda is an author of over 150 papers, abstracts, reviews and book chapters, primarily in the areas of insulin action in vitro systems and in clinical diabetes and obesity. He graduated from Yale University, received his MD degree from the Medical College of Wisconsin and did his internship and residency in Internal Medicine and Fellowship in Endocrinology and Metabolism at The Johns Hopkins Hospital.

Paul Burn, Ph.D.

Dr. Burn currently serves as the Broin Chair and Director for The Sanford Project, an emerging translational research center focused on identifying and delivering a cure for type 1 diabetes. He also holds an appointment as Professor of Pediatrics at the Sanford School of Medicine at the University of South Dakota. Prior to his appointment at Sanford Health, Dr. Burn served as Senior Vice President of Research and Development at the Juvenile Diabetes Research Foundation (JDRF). Dr. Burn gained international industry R&D experience as Director of Metabolic Research and Development at Bayer Health Care; Director of Endocrine Research and Clinical Investigation at Eli Lilly and Company; Vice President of Research and Development at Monsanto/Pharmacia; and Global Head for the Metabolic Diseases Therapeutic Area and Vice President of Biotechnology at Hoffman-La Roche. Dr. Burn's business expertise includes establishing and leading alliances with strategic partners and in- and out-licensing of compounds and projects. In addition, he has facilitated a portfolio of 52 clinical trials, served as a consultant to several major pharmaceutical companies and has streamlined the programs of acquired or merged companies

Alan Cherrington, Ph.D.

Dr. Cherrington currently holds Professorships in both the Department of Molecular Physiology & Biophysics and the Department of Medicine at Vanderbilt University. He is also the Associate Director of the Diabetes Research and Training Center. Dr. Cherrington served as Chairman of the Molecular Physiology and Biophysics Department from 1998 to 2007 and was president of the American Diabetes Association from 2004 to 2005. He currently holds the Jacquelyn A. Turner and Dr. Dorothy J. Turner Chair in Diabetes Research at the university. Dr. Cherrington's work over the years has defined the effects of various hormonal and neuronal factors on liver glucose metabolism in the normal and diabetic state. Specifically, Dr. Cherrington has characterized the effects of insulin, glucagon, cortisol, epinephrine, and norepinephrine on the rates of hepatic glycogenolysis and gluconeogenesis in vivo. He has also studied the response of the liver to glucose ingestion and has shown that postprandial glycogen deposition is dependent not only on the availability of glucose and insulin, but equally on an additional "portal glucose" signal. Dr. Cherrington has significantly advanced our understanding of the way in which hormones and neural mediators regulate the ability of the liver to supply glucose in times of need and store it in times of plenty. Dr. Cherrington received his undergraduate degree in Biology from the University of New Brunswick in 1967 and his PhD in Physiology from the University of Toronto, where he worked with Dr. Mladen Vranic, in 1973. He then undertook postgraduate training with Dr. Rollo Park at the Vanderbilt University School of Medicine.

Daniel Porte Jr., MD

Dr. Porte is Professor of Medicine at the University of California San Diego, Emeritus Professor of Medicine at the University of Washington and past president of the American Diabetes Association. He has served as an advisor to the National Institute of Health (NIH), including service on the National Institute of Diabetes and Digestive and Kidney Diseases (NIDDKD) council, and published extensively over his career. Among his 350+ publications, Dr. Porte is best known for his contributions to our understanding of the regulation of the endocrine pancreas and its role in type 2 diabetes and obesity, as well as studies of the importance of hyperglycemia to the neuropathic complications of diabetes. Dr. Porte's present interests include the mechanism for the regulation of the alpha cells secretion of glucagon by the central nervous system, in addition to pancreatic beta-cell related hormones and neuropeptides. He is also interested in the role of insulin in brain function, glucose homeostasis and body weight regulation, and the physiology of the incretin hormones in plasma glucose control and diabetes therapy. Dr. Porte received his MD with Honors from the University of Chicago Medical School and completed his residency at the VA Hospital and the UC San Francisco Moffitt Hospital.

Ralph A DeFronzo, MD

Ralph A. DeFronzo, MD, is Professor of Medicine and Chief of the Diabetes Division at the University of Texas Health Science Center and the Deputy Director of the Texas Diabetes Institute in San Antonio, Texas. He received a Bachelor of Science degree from Yale University (BS), his MD from Harvard Medical School and did his training in Internal Medicine at the Johns Hopkins Hospital. He completed fellowships in Endocrinology at the National Institutes of Health and Baltimore City Hospitals and in Nephrology at the Hospital of the University of Pennsylvania. With more than 650 articles published in peer-reviewed medical journals, Dr. DeFronzo is a distinguished clinician, teacher, and investigator who has been an invited speaker at major national and international conferences on diabetes mellitus. In 2008, Dr. DeFronzo received the Banting Award from the ADA and the Claude Bernard Award from the EASD. These represent the highest scientific achievement awards given by the American and European Diabetes Associations, respectively. In the same year, Dr. DeFronzo also received the Italian Diabetes Mentor Prize and the Philip Bondy Lectureship at Yale University. He also received the ADA's Albert Renold Award for lifetime commitment to the training of young diabetes investigators in 2002. For his work in this area, Dr. DeFronzo also received the prestigious Lilly Award in 1987 from the American Diabetes Association (ADA), the Banting Lectureship in 1988 from the Canadian Diabetes Association, the Novartis Award in 2003 for outstanding clinical investigation worldwide, and many other national and international awards.

Dr. DeFronzo's major interests focus on the pathogenesis and treatment of type 2 diabetes mellitus and the central role of insulin resistance in the metabolic-cardiovascular cluster of disorders known collectively as the Insulin Resistance Syndrome. Using the euglycemic insulin clamp technique in combination with radioisotope turnover methodology, limb catheterization, indirect calorimetry, and muscle biopsy, he has helped to define the biochemical and molecular disturbances responsible for insulin resistance in type 2 diabetes mellitus.

Specialized Skills and Knowledge

The Company believes that investing in human capital is fundamental to its continued growth and success. The Company has three full-time employees and two part-time employee and uses experienced consultants and advisors who possess the skills and knowledge that the Company requires to implement its current strategy. However, as the Company further develops its products or identifies new product opportunities it may need to retain additional qualified senior officers and key personnel. The Company's success will be dependent to a large degree on its ability to retain the services of its existing senior officers and to retain additional qualified personnel in the future.

RISK FACTORS

An investment in our securities involves a high degree of risk and should be considered as speculative. An investment in our common shares should only be undertaken by those persons who can afford the total loss of their investment. You should consider carefully the risks and uncertainties described below, as well as other information contained in this AIF. The risks and uncertainties below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also affect our business adversely. If any of the following risks occur, our business, financial condition and results of operations could be harmed seriously and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline.

RISKS AND UNCERTAINTY

We operate in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of our control. We are subject to risks inherent in the biotechnology industry, including:

Risks Related to our Business and our Industry

Uncertainties Related to Clinical Trials and Product Development

Before obtaining regulatory clearance for the commercial sale of any of our products under development, we must demonstrate through preclinical studies and clinical trials that the potential product is safe and efficacious for use in humans for each target indication. The results from preclinical studies and early clinical trials may not be predictive of results that will be obtained in large clinical trials, and there can be no assurance that our clinical trials will demonstrate sufficient safety and efficacy necessary to obtain the requisite regulatory approvals or will result in marketable products. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials on similar compounds. The failure to adequately demonstrate the safety and efficacy of a product under development could delay or prevent regulatory clearance of the potential product and would have a material adverse effect on our success. Any drug is likely to produce some toxicity or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for sufficiently long periods of time. There can be no assurance that unacceptable toxicity or side effects will not occur at any dose level at any time in the course of human clinical trials of our potential products. The appearance of any such unacceptable toxicity or side effects in clinical trials could cause us or regulatory authorities to interrupt, limit, delay or abort the development of any of our product candidates and could ultimately prevent their clearance by the United States Food and Drug Administration ("FDA") or other

regulatory authorities, for any or all targeted indications. Even after being cleared by the FDA or other regulatory authorities, a product may later be shown to be unsafe or not to have its purported effect, thereby preventing its widespread use or requiring withdrawal from the market. There can be no assurance that any of our products or product candidates will be safe when administered to patients.

The rate of completion of our clinical trials will be dependent upon, among other factors: the rate of patient enrolment. Patient enrolment is a function of many factors, including the size of the patient population; the nature of the protocol; the proximity of parties to clinical sites; and the eligibility criteria for the study. Delays in planned patient enrolment may result in increased costs, delays or termination of clinical trials, which could have a material adverse effect on our success.

In addition, we rely on third parties to assist us in overseeing and monitoring the clinical trials, which may result in delays in completing clinical trials, or the trials not being completed at all, if such third parties fail to perform under their agreements with us or fail to meet regulatory standards in the performance of their obligations under such agreements. There can be no assurance that we will be able to submit a new drug application as scheduled if clinical trials are completed or that any such applications will be reviewed and cleared by the FDA or other regulatory authority in a timely manner or at all.

Risks Related to Regulatory Matters

Potential investors should be aware of the risks, problems, delays, expenses and difficulties which we may encounter in light of the extensive regulatory environment within which our business is carried out. Numerous statutes and regulations govern the manufacture and sale of non-therapeutic and human therapeutic products in the United States, Canada and other countries that are the intended markets for our products and product candidates. Such legislation and regulation governs the approval of manufacturing facilities, the testing procedures and controlled research that must be carried out and the preclinical and clinical data that must be collected prior to marketing approval. Our research and development efforts, as well as any future clinical trials, and the manufacturing and marketing of any products we may develop, will be subject to and restricted by such extensive regulation.

The process of obtaining necessary regulatory approvals is lengthy, expensive and uncertain. We or our collaborators may fail to obtain the necessary approvals to commence or continue clinical testing or to manufacture or market our potential products in reasonable time frames, if at all. In addition, governmental authorities in the United States, or other countries may enact regulatory reforms or restrictions on the development of new therapies that could adversely affect the regulatory environment in which we operate or the development of any products we may develop.

Completing clinical testing and obtaining required approvals is expected to take several years and to require the expenditure of substantial resources. There can be no assurance that clinical trials will be completed successfully within any specified period of time, if at all. Furthermore, clinical trials may be delayed or suspended at any time by us or by the various regulatory authorities if it is determined at any time that the subjects or patients are being exposed to unacceptable risks.

Any failure or delay in obtaining regulatory approvals would adversely affect our ability to utilize our technology and would therefore adversely affect our operations. Furthermore, no assurance can be given that our product candidates will prove to be safe and effective in clinical trials or that they will receive the requisite regulatory approval. Moreover, any regulatory approval of a drug which is eventually obtained may be granted with specific limitations on the indicated uses for which that drug may be marketed. Furthermore, product approvals may be withdrawn if problems occur following initial marketing or if compliance with regulatory standards is not maintained.

In addition, we rely to some extent on the availability of certain agents that are currently marketed by other firms. Such agents may become unavailable as a result of failing to meet regulatory requirements.

Additional Financing Requirements and Access to Capital

We require significant additional funds for further research and development, planned clinical trials, and the regulatory approval process. We may raise additional funds for the aforementioned purposes through public or private equity or debt financing which may be dilutive, or through collaborations with other biotechnology companies, or financing from other sources may be undertaken. It is possible that financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the results of scientific and clinical research, the ability to attain regulatory approvals, market acceptance of our products, the state of the capital markets generally with particular reference to pharmaceutical, biotechnology and medical companies, the status of strategic alliance agreements, and other relevant commercial considerations. If adequate funding is not available, we may be required to delay, reduce, or eliminate one or more of our product development programs or obtain funds through corporate partners or others who may require us to relinquish significant rights to product candidates or obtain funds on less favorable terms than we would otherwise accept.

Rapid Technological Change

The industry in which we operate is characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render our products or technologies non-competitive or that we will be able to keep pace with technological developments. Our competitors may have developed or may be developing technologies which could become the basis for competitive products. Some of these products may prove to be more effective and less costly than our products.

Partnerships for Development and Commercialization of Technology

We may need, but be unable, to obtain partners to support our development efforts and to commercialize our technology. Equity and/or debt financings alone may not be sufficient to fund the cost of developing our products, and we may need to rely on our ability to reach partnering arrangements to provide financial support for our discovery and development efforts.

In addition, in order to successfully develop and commercialize our technology, we may need to enter into a wide variety of arrangements with corporate sponsors, pharmaceutical companies, universities, research groups and others. While we have had previous research contracts, we may enter into additional arrangements with other contract research organizations. We may fail to obtain any such agreements on terms acceptable to us or at all. Even if we enter into these arrangements, we may not be able to satisfy our obligations under them or renew or replace them after their original terms expire. Furthermore, arrangements of this nature may require us to grant certain rights to third parties, including exclusive marketing rights to one or more products, may require us to issue securities to our collaborators or may contain other terms that are burdensome to us. If any of our collaborators terminate their relationship with us or fail to perform their obligations in a timely manner, the development or commercialization of our technology and potential products may be adversely affected.

Clinical Trials Outside of the United States

Phase 1/2 clinical trials for DM199 were conducted in the Netherlands with PRA International under EMA regulatory authority. While the study was conducted in accordance with international regulatory standards including compliance with Good Clinical Practice ("GCP") regulations and International Committee on Harmonization ("ICH") guidelines, there is a risk that the FDA may not accept the results in support of filing an Investigational New Drug ("IND") application.

Uncertainties Related to Forecasts

Our expectations regarding the success of our product candidates and our business are based on forecasts which may include the commencement and completion of clinical trials and anticipated regulatory approval which may not be realized. The actual timing of these events can vary dramatically due to factors such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process and delays in achieving manufacturing capacity and marketing infrastructure sufficient to commercialize our biopharmaceutical products. There can be no

assurance that clinical trials involving our products will be successfully completed, that we will make regulatory submissions or receive regulatory approvals as forecasted or that we will be able to adhere to our current schedule. The failure to do so could have a material adverse effect on us.

Competition

Technological competition is intense in the industry in which we operate, and in particular in the market for therapeutic products to treat stroke and T2D. Competition comes from pharmaceutical companies, biotechnology companies and universities as well as companies that participate in each of the non-pharmaceuticals markets we may attempt to address with our products. Many of our competitors have substantially greater financial and technical resources, more extensive research and development capabilities and greater marketing, distribution, production and human resources than we do. Moreover, competitors may develop products more quickly than us and may obtain regulatory approval for such products more rapidly than we do. Products and processes which are more effective than those that we intend to develop may be developed by our competitors. Research and development by others may render our technology products or processes non-competitive or obsolete.

Competitive products on the market and/or in development for AIS include the following:

- tPA (marketed)
- Small molecules, peptide and protein based therapies for neuroprotection
- Cell-based therapies to regenerate or repair damaged neuronal tissue
- Medical devices for revascularization & clot removal

Competitive products on the market and/or in development for T2D include the following:

- Sulfonylureas;
- Metformin;
- Insulins (injectable and inhaled versions);
- TZDs and other PPAR or non-PPAR insulin sensitizers;
- Glinides;
- DPP-IV inhibitors;
- Incretin mimetics/GLP-1 receptor agonists;
- Alpha-glucosidase inhibitors; and
- Sodium-glucose transporter-2 (SGLT-2) inhibitors.

Unproven Market

Notwithstanding the estimated market potential for our products and product candidates, no assurance can be given that our projections and assumptions will prove to be correct owing to, in particular, competition from existing or new products and the yet to be established clinical viability of our identified drug candidates.

Management of Growth

Engagement of a clinical trial and future pipeline development has placed, and is expected to continue to place, a significant strain on our managerial, operational and technical resources. We expect operating expenses and staffing levels to increase in the future. To manage our growth, we must expand our operational and technical capabilities and our employee base while effectively administering multiple relationships with various third parties. There can be no assurance that we will be able to manage our expanding operations effectively. Any failure to implement

cohesive management and operating systems, add resources on a cost-effective basis or properly manage our expansion could have a material adverse effect on our business and results of operations.

Dependence on Key Personnel

We depend on our management personnel. The loss of services of one or more of such persons could adversely affect our operations. It is necessary for us to continue to implement and improve our management systems and to continue to recruit and train new employees in order to manage our growth effectively. While we have been able to attract and retain skilled and experienced personnel in the past, no assurance can be given that we will be able to do so in the future.

Supply of Raw Materials

We have selected manufacturers that we believe comply with Current Good Manufacturing Practices, ("cGMP") and other applicable regulatory standards. Although the manufacturers are experienced, no assurance can be given that sufficient quantities for on-going studies and for future clinical trials will be produced, or produced on terms that are acceptable to us.

Systems Failures

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruptions in our operations could result in a material disruption of our drug discovery programs. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability as a result, our drug discovery programs may be adversely affected and the further development of our product candidates may be delayed. In addition, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Effect of Insurers' Willingness to Pay for Products and Our Ability to Become Profitable

Since health care insurers and other organizations may not pay for any products that we may develop or may impose limits on reimbursements, our ability to become profitable could be reduced. In both domestic and foreign markets, sales of potential products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payor organizations, including government agencies, private health care insurers and other health care payors, such as health maintenance organizations and self-insured employee plans. There is considerable pressure to reduce the cost of therapeutic products, and government and other third party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which marketing approval has not been granted. Significant uncertainty exists as to the reimbursement status of newly approved health care products or novel therapies. We can give no assurance that reimbursement will be provided by such payors at all or without substantial delay or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable us to sell products we may develop on a profitable basis. Changes in reimbursement policies could also adversely affect the willingness of pharmaceutical companies to collaborate with us on the development of our product candidates. In certain markets, pricing or profitability of prescription pharmaceuticals is subject to government control.

Potential Product Liability

A risk of product liability claims and related negative publicity is inherent in the development of human therapeutics and other products. Product liability insurance is expensive, its availability is limited, and it may not be offered on terms acceptable to us, if at all. The commercialization of our potential products could be inhibited or prevented by an inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims. A product liability claim against us or the withdrawal of a product from the market could have a material adverse effect upon us and our financial condition. To protect against potential product liability

risks, we have €450,000 per occurrence, €3.5 million clinical trial insurance and €6.5 million product liability insurance coverage.

Foreign Currency Risk

A portion of our expenditures are in US dollars and euros and, therefore, we are subject to foreign currency fluctuations which may, from time to time, impact our financial position and results of operations.

Risks Related to Intellectual Property

Patents and Proprietary Rights

We believe that patents and other proprietary rights are important to our business. Our policy is to file patent applications to protect technology, inventions and improvements that may be important to the development of our business. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. We plan to enforce our issued patents and our rights to proprietary information and technology. We review third-party patents and patent applications, both to refine our own patent strategy and to identify useful licensing opportunities.

We have a number of patents, patent applications and rights to patents related to our compounds, products and technology, but we cannot be certain that they will be enforceable or provide adequate protection or that pending patent applications will result in issued patents.

Our success depends, in part, on our ability to secure and protect our intellectual property rights and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights owned or licensed by us. Applications for patents on key technologies, composition of matter and therapeutic uses of DM199 have been filed or will be filed in the United States, Europe and other jurisdictions, and have been exclusively assigned to us. Our DM199 patent applications include composition of matter and use patents, if all issued as patents, will expire by 2032.

To the extent that development, manufacturing and testing of our products is performed by third party contractors, such work is performed pursuant to fee for service contracts. Under the contracts, all intellectual property, technology know-how and trade secrets arising under such agreements are our exclusive property, and must be kept confidential by the contractors. It is not possible for us to be certain that we have obtained from the contractors all necessary rights to such technologies. Disputes may arise as to the scope of the contract, or possible breach of contract. No assurance can be given that our contracts would be enforceable or would be upheld by a court.

The patent positions of pharmaceutical and biotechnology firms, ourselves included, are uncertain and involve complex questions of law and fact for which important legal issues remain unresolved. Therefore, it is not clear whether our pending patent applications will result in the issuance of patents or whether we will develop additional proprietary products which are patentable. Part of our strategy is based on our ability to secure a patent position to protect our technology. There is no assurance that we will be successful in this approach and failure to secure patent protection may have a material adverse effect upon us and our financial condition. Also, we may fail in our attempt to commercialize products using currently patented or licensed technology without having to license additional patents. Moreover, it is not clear whether the patents issued or to be issued will provide us with any competitive advantages or if any such patents will be the target of challenges by third parties, whether the patents of others will interfere with our ability to market our products or whether third parties will circumvent our patents by means of alternate processes. Furthermore, it is possible for others to develop products which have the same effect as our products or technologies on an independent basis or to design around technologies patented by us. Patent applications relating to or affecting our business may have been filed by pharmaceutical or biotechnology companies or academic institutions. We have not detected any third party patents that could interfere with our current projects. Such applications may conflict with our technologies or patent applications and such conflict could reduce the scope of patent protection which we could otherwise obtain or even lead to the rejection of our patent applications. There is no assurance that we can enter into licensing arrangements on reasonable commercial terms, or develop or obtain alternative technology in respect of patents issued to third parties that incidentally cover our products or production

technologies. Any inability to secure licenses or alternative technology could result in delays in the introduction of some of our products or even lead to us being prevented from pursuing the development, manufacture or sale of certain products. Moreover, we could potentially incur substantial legal costs in defending legal actions which allege patent infringement, or by initiating patent infringement suits against others. It is not possible for us to be certain that we are the creator of inventions covered by pending patent applications or that we were the first to invent or file patent applications for any such inventions. While we have used commercially reasonable efforts to obtain assignments of intellectual property from all individuals who may have created materials on our behalf (including with respect to inventions covered by our patent and pending patent applications), it is not possible for us to be certain that we have obtained all necessary rights to such materials. No assurance can be given that our patents, if issued, would be upheld by a court, or that a competitor's technology or product would be found to infringe on our patents. Moreover, much of our technology know-how that is not patentable may constitute trade secrets. Therefore, we require our employees, consultants, advisors and collaborators to enter into confidentiality agreements either as stand-alone agreements or as part of their consulting contracts. However, no assurance can be given that such agreements will provide meaningful protection of our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of confidential information. Also, while we have used commercially reasonable efforts to obtain executed copies of such agreements from all employees, consultants, advisors and collaborators, no assurance can be given that executed copies of all such agreements have been obtained.

Costs Stemming from Defense Against Third-Party Intellectual Property Infringement Claims

Third parties may claim that we are using their proprietary information without authorization. Third parties may also have or obtain patents and may claim that technologies licensed to or used by us infringe their patents. If we are required to defend patent infringement actions brought by third parties, or if we sue to protect our own patent rights or otherwise to protect our proprietary information and to prevent its disclosure, we may be required to pay substantial litigation costs and managerial attention may be diverted from business operations even if the outcome is in our favor. In addition, any legal action that seeks damages or an injunction to stop us from carrying on our commercial activities relating to the affected technologies could subject us to monetary liability and require us or any third party licensors to obtain a license to continue to use the affected technologies. We cannot predict whether we would prevail in any of these types of actions or that any required license would be available on commercially acceptable terms or at all. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources.

Risks Related to the Early Stage of our Products and our Company

Stage of Development

We have compounds in various stages of development. Prior to commercialization of any potential product, significant additional investments will be necessary to complete the development of any of our products. Preclinical and clinical trial work must be completed before some of our other products could be ready for use within the market that we have identified. We may fail to develop any products, to obtain regulatory approvals, to enter clinical trials, or to commercialize any products. Competitors may develop alternative products and methodologies to treat and diagnose indications we are pursuing thus reducing our competitive advantages. We do not know whether any of our potential product development efforts will prove to be effective, meet applicable regulatory standards, obtain the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or successfully marketed. The products or processes we are currently developing are not expected to be commercially viable for several years and we may encounter unforeseen difficulties or delays in commercializing our products. In addition, our products may cause undesirable side effects. Results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research, including replicating positive human efficacy results of urinary KLK1 with DM199. If regulatory authorities do not approve our products or if we fail to maintain regulatory compliance, we would have limited ability to commercialize our products, and our business and results of operations would be harmed. If we do succeed in developing products, we will face many potential obstacles such as the need to develop or obtain manufacturing, marketing and distribution capabilities.

Lack of Product Revenues; History of Operating Losses; Substantial Doubt About the Ability to Continue as a Going Concern

As of the date of this AIF, we have not recorded any revenues from the sale of products. We have an accumulated deficit, based on our consolidated financial statements, since our inception through December 31, 2014 of over $45 million. Losses are expected to increase in the near term as we continue our product development efforts, enter clinical trials and seek regulatory approval for the sale of our products. Operating losses are expected to be incurred until such time as product sales, royalty payments, licensing fees and/or milestone payments are sufficient to generate revenues to fund our continuing operations. We are unable to predict the extent of any future losses or when we will become profitable, if ever. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis. There is substantial doubt about the appropriateness of the use of the going concern assumption because we have experienced operating losses and cash outflows from operations since incorporation, our cash resources are not sufficient for the next twelve months of planned operations, and we have not reached successful commercialization of our products.

Risks and Uncertainties of Current Economic Conditions

To date, we have primarily relied on equity financing to fund our working capital requirements and drug development activities. A substantial amount of additional capital is needed to develop our products to a point where they may be commercially sold. Our future operations are dependent upon our ability to generate product sales, negotiate collaboration or license agreements, obtain research grant funding, defer expenditures, or other strategic alternatives, and/or secure additional funds. While we are striving to achieve these plans, there is no assurance these and other strategies will be achieved or that such sources of funds will be available or obtained on favorable terms or obtained at all. Our ability to continue as a going concern is dependent on our ability to continue obtaining sufficient funds to conduct our research and development, and to successfully commercialize our products. See Liquidity and Capital Resources section below.

Risks Related to the Company's Common Shares

Share Price Volatility

A number of factors could influence the volatility in the trading price of our common shares, including changes in the economy or in the financial markets, industry related developments, and the impact of changes in our operations. Our quarterly losses may vary because of expenses we incur related to future research including the timing of costs for manufacturing and initiating and completing preclinical and clinical trials. Each of these factors could lead to increased volatility in the market price of our common shares. In addition, the market prices of the securities of our competitors may also lead to fluctuations in the trading price of our common shares.

Dividends

We have not declared or paid any cash dividends on our common shares to date. The payment of dividends in the future will be dependent on our earnings and financial condition and on such other factors as our board of directors considers appropriate. Unless and until we pay dividends, shareholders may not receive a return on their shares. There is no present intention by our board of directors to pay dividends on our common shares.

Dilution

You may experience future dilution due to additional future equity financing events by the Company. If outstanding options, warrants or deferred share units of the Company are exercised into common shares, you will experience additional dilution.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value. As at the date hereof, 68,025,430 common shares of the Company were issued and outstanding, and 6,700,022 common share purchase warrants were outstanding at a weighted average exercise price of $0.96.

As at the date hereof, the Company had 5,153,000 stock options outstanding to purchase common shares. The terms and conditions of such stock options are contained in the Company's stock option plan (the "Stock Option Plan"). A summary of the some of the relevant parts of the Stock Option Plan are below under the heading "*Stock Option Plan*". A copy of the Stock Option Plan can be found on SEDAR at www.sedar.com.

As at the date hereof, the Company had issued 74,556 deferred share units. The terms and conditions of such deferred share units are contained in the Company's Deferred Share Units Plan (the "DSU Plan"). A summary of the some of the relevant parts of the DSU Plan are below under the heading "*Deferred Share Units Plan*". A copy of the DSU Plan can be found on SEDAR at www.sedar.com.

Common Shares

Each common share carries one vote at all meetings of DiaMedica whether ordinary or special, and may participate in any dividends declared by the directors of DiaMedica. The common shares carry the right to receive a proportionate share of DiaMedica's assets available for distribution to the holders of DiaMedica shares upon liquidation, dissolution or winding up of DiaMedica. The common shares do not have any special liquidation, pre-emptive or conversion rights.

Shareholder Rights Plan

The shareholders of the Company approved the adoption of a shareholder rights plan agreement (the "Plan") on September 22, 2011. The Plan is designed to provide adequate time for the Board of Directors and the shareholders to assess an unsolicited takeover bid for DiaMedica, to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a takeover bid is made, and to provide shareholders with an equal opportunity to participate in a takeover bid and receive full and fair value for their Common Shares. The Plan had been set to expire at the close of the Company's annual meeting of shareholders in 2014. At the Company's Annual General and Special Meeting of Shareholders on July 24, 2014, shareholders approved a resolution to renew the Plan and extend the expiration date to the close of the Company's annual meeting of shareholders in 2017.

The rights issued under the Plan initially will attach to and trade with the Common Shares and no separate certificates will be issued unless an event triggering these rights occurs. The rights will become exercisable only when a person, including any party related to it, acquires or attempts to acquire 20 percent or more of the outstanding Common Shares without complying with the "Permitted Bid" provisions of the Plan or without approval of the Board of Directors. Should such an acquisition occur or be announced, each right would, upon exercise, entitle a rights holder, other than the acquiring person and related persons, to purchase Common Shares at a 50 percent discount to the market price at the time.

Under the Plan, a Permitted Bid is a bid made to all holders of the Common Shares and which is open for acceptance for not less than 60 days. If at the end of 60 days at least 50 percent of the outstanding Common Shares, other than those owned by the offeror and certain related parties have been tendered, the offeror may take up and pay for the Common Shares but must extend the bid for a further 10 days to allow other shareholders to tender.

The issuance of Common Shares upon the exercise of the rights is subject to receipt of certain regulatory approvals.

Stock Option Plan

DiaMedica has adopted a Stock Option Plan where the board of directors may from time to time, in their discretion, and in accordance with the TSX-V requirements, grant to directors, officers, management company employees,

investor relations consultants and Consultants (as such terms are used in the Stock Option Plan) to DiaMedica, non-transferable options to purchase Common Shares. The number of common shares reserved for issuance under the Stock Option Plan is 7,000,000 and the maximum period during which an option may be exercised is 10 years.

The number of Common Shares reserved for issuance to any individual director, officer, management company employee or Consultant will not exceed five percent (5%) of the issued and outstanding Common Shares on a yearly basis (calculated on a non-diluted basis).

Options may be exercised no later than 120 days following cessation of the optionee's position with DiaMedica, provided that if the cessation of office, employment, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. The Stock Option Plan provides that, for an investor relations consultant, no option shall be exercisable for a period exceeding twelve (12) months from the date the option is granted, with no more than 1/4 of the options vesting in any three month period. Any option granted to an investor relations consultant expires 30 days after the date that such person ceases to carry on investor relations activities on behalf of DiaMedica. Options granted under the Stock Option Plan must have an exercise price per Common Share that is greater than or equal to the "discounted market price" of the Common Shares (as determined under the policies of the TSX-V) at the time of the grant.

The foregoing is a summary only, and is qualified in its entirety by the terms and conditions of the Stock Option Plan.

Deferred Share Units Plan

The shareholders of the Company approved the adoption of a deferred share units plan on September 22, 2011 as amended and restated on October 31, 2012 (the "DSU Plan") reserving for issuance up to 2,000,000 common shares under the DSU Plan. The purpose of the DSU Plan is to provide an alternative form of compensation to satisfy payments in lieu of salary, annual and special bonuses payable to senior officers and Directors and to satisfy fees that may be payable to directors for acting as directors of the Corporation. The foregoing is a summary only, and is qualified in its entirety by the terms and conditions of the DSU Plan.

DIVIDENDS

There are no restrictions in DiaMedica's articles or elsewhere which would prevent DiaMedica paying dividends. No dividends have been declared or paid on our common shares in the last three fiscal years, and it is not expected that dividends will be declared or paid in the immediate or foreseeable future. The policy of the Board of Directors of the Company is to reinvest all available funds in operations. The Board of Directors will reassess this policy from time to time. Any decision to pay dividends on our common shares will be made by the Board of Directors based on the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of the Company.

MARKET FOR SECURITIES

The Company's outstanding common shares are listed and posted for trading on the TSXV under the trading symbol "DMA"

Trading History

Month	High	Low	Volume
December 2014	$0.08	$0.04	8,954,760
November 2014	$0.75	$0.05	18,758,238
October 2014	$0.45	$0.19	1,306,222
September 2014	$0.60	$0.36	642,296
August 2014	$0.66	$0.53	274,400
July 2014	$0.74	$0.58	378,937
June 2014	$0.80	$0.54	571,067
May 2014	$0.78	$0.57	772,535
April 2014	$0.89	$0.71	415,408
March 2014	$1.10	$0.84	1,191,368
February 2014	$0.94	$0.75	429,462
January 2014	$0.94	$0.80	542,037

Prior Sales

On March 16th, 2015, the Company announced the closing of its non-brokered private placement raising total gross proceeds of $600,000.

On May 27, 2014, the Company announced the completion of a short form prospectus offering under which it issued approximately 3.1 million units at a price of $0.70 per unit for aggregate gross proceeds of approximately $2.2 million. Each unit was comprised of one common share in the capital stock of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share until May 27, 2016 at a price of $1.00 per share.

On January 22, 2014, the agent in connection with the December 2013 Offering (as defined below) exercised its option to sell an additional 31,000 units pursuant to the December 2013 Offering at a sale price of $0.90 per unit resulting in gross proceeds of $27,900.

On January 3, 2014, the Company completed a non-brokered private placement of 154,500 units at a price of $0.90 per unit for aggregate gross proceeds of $139,050. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.10 at any time prior to expiry on December 23, 2015. The warrant expiry date can be accelerated at the option of the Company, in the event that the volume-weighted average trading price of the Company's common shares exceeds $1.60 per common share for any 10 consecutive trading days. In connection with the financing, the Company issued 9,270 compensation warrants. Each compensation warrant entitles the holder to acquire one common share at an exercise price of $1.10 prior to expiry on January 3, 2015.

On December 23, 2013, the Company completed a prospectus offering of 2,888,910 units at a price of $0.90 per unit, for aggregate gross proceeds to the Company of $2,600,019 (the "December 2013 Offering"). Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.10 at any time prior to expiry on December 23, 2015. The warrant expiry date can be accelerated at the option of the Company, in the event that the volume-weighted average trading price of the Company's common shares exceeds $1.60 per common share for any 10 consecutive trading

days. In connection with the financing, the Company issued 173,335 compensation warrants. Each compensation warrant entitles the holder to acquire one common share at an exercise price of $0.90 prior to expiry on December 23, 2014.

On March 22, 2013, the Company completed a prospectus offering of 5,111,175 units at a price of $0.90 per unit, for aggregate gross proceeds to the Company of $4,600,058. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.10 at any time prior to expiry on March 22, 2016. The warrant expiry date can be accelerated at the option of the Company, in the event that the volume-weighted average trading price of the Company's common shares exceeds $1.60 per common share for any 10 consecutive trading days. In connection with the financing, the Company issued 357,782 compensation warrants. Each compensation warrant entitles the holder to acquire one common share at an exercise price of $0.90 prior to expiry on March 22, 2014. In third quarter of 2013, 24,025 warrants were exercised for gross proceeds of $23,442.

DiaMedica also has 1,055,600 warrants issued and outstanding which were issued on May 8, 2012 in connection with the Early Warrant Exercise Incentive Program (the "Incentive Warrants"). Each Incentive Warrant is exercisable for a period of 24 months from May 8, 2012 (the "Incentive Warrant Exercise Date") at an exercise price of $1.60 (as amended, see below). In the event the volume-weighted average trading price of the Common Shares on the TSX-V (or such other exchange as DiaMedica's common shares may be listed on) exceeds $3.00 per share for a period of 10 consecutive trading days following May 8, 2012, DiaMedica may, at its option, accelerate the Incentive Warrant Expiry Date by delivery of notice (an "Incentive Warrant Acceleration Notice") to the holders of Incentive Warrants and issuing a press release announcing such acceleration (an "Incentive Warrant Acceleration Press Release"), and, in such case, the Incentive Warrant Exercise Date shall be deemed to be the 30th day following the later of: (i) the date on which the Incentive Warrant Acceleration Notice is sent to holders of Incentive Warrants; and (ii) the date of issuance of the Incentive Warrant Acceleration Press Release. In July 2013, the Company amended the exercise price of the 1,055,600 outstanding May 8, 2014 warrants from $2.50 to $1.60. In July 2014, the Company received approval from the TSX Venture Exchange to amend the 1,055,600 warrants by extending the expiry date from May 8, 2014 to February 8, 2015.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class
Common Shares	nil(1)	n/a

Notes:

(1) In accordance with the terms of the share exchange agreement on the acquisition of Sanomune Inc. on June 30, 2010, the Sanomune shareholders placed 1,640,916 DiaMedica common shares received in exchange for Sanomune common shares into escrow for a period of three years following closing which were released in six semi-annual instalments. The initial release of these shares in escrow was December 30, 2010 with the last release from escrow on June 30, 2013. As at the date of this AIF no common shares remain in escrow.

DIRECTORS AND OFFICERS

Name and Occupation

Name, Present Office Held and Municipality of Residence	Director Since	Principal Occupation and Occupation During the Past Five (5) Years
Michael Giuffre Calgary, AB, Canada *Director*[(1)(2)]	August 2010	Clinical Professor of cardiac sciences and pediatrics, faculty of Medicine, University of Calgary since 2009, Associate Professor since 1995. Currently President elect Alberta Medical Association, board member since 1995. Pediatric cardiologist at Alberta Children's Hospital since June 1990.
David Gurvey Winnipeg, MB, Canada Vice President, Finance	n/a	Mr. Gurvey was appointed Vice President, Finance of DiaMedica in January 2015. As a Chartered Professional Accountant (CPA, CMA), Mr. Gurvey has held Chief Financial Officer positions with both public and private companies.
Dennis D. Kim, M.D. San Diego, CA, US Consulting Chief Medical Officer	n/a	Dr. Kim was appointed Chief Medical Officer in April 2013. He is a Principal of MetaCon, Inc. Previously, Sr. VP of Medical Affairs, Orexigen Therapeutics, and Vice President, Medical Affairs and Chief Medical Officer of EnteroMedics, Inc.
James Parsons, CPA (Canada), CA Mississauga, ON, Canada Vice-President, Finance	n/a	Mr. Parsons was Vice President, Finance from October 2010 to April 2014. He was previously CFO of Amorfix Life Sciences Ltd. from 2006 to 2010. Mr. Parsons is also CFO of Trillium Therapeutics Inc (formerly Stem Cell Therapeutics Corp) since August 2011.
Rick Pauls Minneapolis, MN, US *CEO and Director, Chair*	April 2005	Chairman, President and CEO of DiaMedica Inc., since July 31, 2009. From 2002 until the beginning of 2010, he was the Managing Director of CentreStone Ventures Inc., a life sciences venture capital fund. Mr. Pauls also sits on the board of LED Medical Diagnostics Inc.
Richard Pilnik Indianapolis, IN, USA *Director* [(2)]	January 2009	President of Quintiles Commercial Solutions since April 2009. In 2008, he retired after 25 years with Eli Lilly & Co. where his most recent positions were group Vice President and Chief Marketing Officer. He currently sits on the board of the Duke University Fuqua School of Business and Elan Pharmaceuticals.
Dawson Reimer Winnipeg, MB, Canada *Director* [(1)]	September 2011	Advisor to CentreStone Ventures Limited Partnership Fund. He is the President and Chief Operating Officer at Medicure Inc. where he has been employed since 2001.
Mark Robbins, PhD Orono, MN, US Vice President, Clinical and Regulatory Affairs	n/a	Dr. Robbins was appointed Vice President, Clinical and Regulatory Affairs of DiaMedica in December 2012 to January 2015. From 2008 to 2011 Dr. Robbins was Vice President, Legal, Scientific and Technical Operations at Upsher-Smith Labs and from 2011 to 2012 operated Kodiak Strategic Consultants, LLC, a clinical and regulatory consulting business.
John Savage, CPA (Inactive Prior Lake, MN, US Chief Financial Officer	n/a	Mr. Savage was Chief Financial Officer from April 2014 to December 2014. He was previously Director of Corporate Accounting at United Health Group, a diversified health care company.

Thomas Wellner Toronto, ON, Canada *Director* [(1)(2)]	April 2008	Mr. Wellner is Chief Executive Officer of Revera Inc. Previously, he was Co-Chief Executive Officer of LifeLabs LP from October 2013 to February 2014; President and CEO of CML HealthCare Inc., from February 2012 to October 2013; and President and CEO of Therapure Biopharma Inc. from April 2008 until May 2011. Mr. Wellner also sits on the boards of Cipher Pharmaceuticals, FreshBooks, Inc., Atlantic Healthcare Plc and Life Sciences Ontario.
Mark Williams, PhD Plymouth, MN, US Vice President, Research	n/a	Dr. Williams was appointed Vice President, Research of DiaMedica in June 2010. Dr. Williams has worked with DiaMedica since 2005.

Notes:

[(1)] Member of the Audit Committee.

[(2)] Member of the Governance and Compensation Committee.

The term of office of directors expires annually at the time of the Company's annual meeting. The directors of the Company were elected at the annual meeting of shareholders on December 16, 2013. The term of officers expires at the discretion of the directors of the Company.

The directors and executive officers of DiaMedica, as a group, own or exercise control and direction over 1,141,646 common shares, being approximately 2% of the issued common shares on a non-diluted basis as at the date hereof.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the best of the Company's knowledge, no director or executive officer of the Company, is, as at the date hereof or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company:

(a) that was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company, or

(b) that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, issued after that person ceased to be a director, chief executive officer or chief financial officer of the relevant company that resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

To the best of the Company's knowledge, none of its directors, executive officers or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date hereof or has been, within the 10 years before the date hereof, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

To the best of the Company's knowledge, none of its directors, executive officers or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Other than as disclosed herein, there are no existing or potential material conflicts of interest between the Company (or a subsidiary of the Company) and any director or officer of the Company (or a subsidiary of the Company).

There are potential conflicts of interest to which the directors and officers will be subject in connection with the operations. In particular, certain of the directors are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with the Company's operations or with entities which may, from time to time, provide financing to, or make equity investments in, the Company's competitors.

Conflicts, if any, will be subject to the procedures and remedies available under *The Corporations Act* (Manitoba). *The Corporations Act* (Manitoba) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by *The Corporations Act* (Manitoba).

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings or regulatory actions to which DiaMedica is or was a party to or of which any of its property is or was the subject of during the fiscal year ended December 31, 2014.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

The warrant agent for outstanding warrants is CST Trust Company at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

Contracts entered into by DiaMedica within the last financial year or before the last financial year and are still in effect which are required to be filed pursuant to applicable securities laws, are as follows:

1) A Share Exchange Agreement dated February 18, 2010 among Sanomune shareholders, Sanomune Inc. and DiaMedica Inc., whereby DiaMedica acquired all of the issued and outstanding shares of Sanomune Inc. This agreement included the placing into escrow of 1,640,916 DiaMedica common shares received in exchange for Sanomune common shares for a period of three years following closing, such common shares will be released in six semi-annual instalments. The final release of common shares occurred in the summer of 2013.
2) The Stock Option Plan for DiaMedica.
3) The Deferred Share Unit Plan for DiaMedica.
4) The Shareholder Rights Plan for DiaMedica.

INTEREST OF EXPERTS

KPMG LLP, Chartered Accountants, Winnipeg, Manitoba are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Manitoba.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities, securities authorized for issuance under equity compensation plans, is contained in our management proxy circular for our annual meeting of shareholders held on July 24, 2014. Additional financial information is provided in our audited financial statements and MD&A for our most recent year-end and quarter-end. The foregoing financial information and additional information about the Company is available on SEDAR at www.sedar.com under the Company name.