A copy of this preliminary short form base shelf prospectus has been filed with the securities regulatory authorities in British Columbia, Alberta, Manitoba and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form base shelf prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form base shelf prospectus is obtained from the securities regulatory authorities.

This short form base shelf prospectus has been filed under legislation in British Columbia, Alberta, Manitoba and Ontario that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in cases where an exemption from such delivery requirements has been obtained.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, the ("1933 Act"), or any state securities laws and may not be offered or sold in the United States except in certain transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from DiaMedica Inc. c/o 1700 – 360 Main Street, Winnipeg, Manitoba R3C 3Z3 or DiaMedica USA Inc. One Carlson Parkway, Suite 124, Minneapolis, Minnesota 55447 (telephone 763-710-4455), and are also available electronically at www.sedar.com.*

New Issue **March 3, 2014**

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS



Cdn$30,000,000 of
Common Shares
Warrants
Units

Under this preliminary short form base shelf prospectus (the "**Prospectus**"), DiaMedica Inc. ("**DiaMedica**" or the "**Company**") may offer, from time to time, common shares (the "**Common Shares**") in the share capital of the Company or units (the "**Units**") of the Company (all of the foregoing, collectively, the "**Securities**") in one or more offerings, of up to $30,000,000 aggregate offering price of Securities during the 25-month period that this Prospectus, including any amendments thereto, remains valid. The Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in an accompanying prospectus supplement.

General

The specific terms of the Securities in respect of which this Prospectus is being delivered, will be set forth in a shelf prospectus supplement (a "**Prospectus Supplement**") and may include, where applicable: (i) in the case of Common Shares, the number of Common Shares offered, the offering price and any other specific terms, (ii) in the case of Units, the designation, number and terms of the Common Shares and common share purchase warrants (the "**Warrants**") comprising the Units and any other specific terms. A Prospectus Supplement may include specific variable terms pertaining to the Securities that are not within the alternatives and parameters set forth in this Prospectus.

All information permitted under securities legislation to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus except in cases where an exemption from such delivery requirements have been obtained. Each Prospectus Supplement will be incorporated by reference into the Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement relates. This Prospectus and any applicable Prospectus Supplement should be read carefully before investing in Securities. This Prospectus may not be used to offer any of the Securities unless accompanied by a Prospectus Supplement.

The Common Shares are listed and posted for trading on the TSX-V under the symbol "DMA". On February 28, 2014, the last trading day on the TSX-V prior to the date hereof, the closing price of the Common Shares was $0.82. Unless otherwise specified in an applicable Prospectus Supplement, the Units and the Warrants will not be listed on any securities or stock exchange. **There is no market through which the Warrants or Units may be sold and purchasers may not be able to resell the Warrants or Units purchased under this Prospectus. This may affect the pricing of the Units and Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See the "Risk Factors" section of the applicable Prospectus Supplement.**

The Company may offer and sell Securities to or through underwriters or dealers, directly to one or more purchasers pursuant to applicable statutory exemptions, or through agents designated from time to time at amounts and prices and other terms determined by the Company. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent engaged in connection with the offering and sale of Securities and will set forth the plan of distribution for such Securities, including the proceeds to the Company and any fees, discounts, concessions or other compensation payable to the underwriters, dealers or agents, and any other material terms of the plan of distribution. See "Plan of Distribution".

In connection with any underwritten offering or best efforts offering of the Securities (unless otherwise specified in a Prospectus Supplement), the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See "Plan of Distribution".

Investing in the Units involves certain risks that should be considered by a prospective purchaser. The risk factors identified under the heading "Risk Factors" in this Prospectus and in other documents incorporated herein by reference should be carefully reviewed and evaluated by prospective purchasers before purchasing any Securities.

The Company's registered office is located at 1700 – 360 Main Street, Winnipeg, Manitoba, R3C 3Z3. The Company's head office is currently at the office of its wholly owned subsidiary DiaMedica USA Inc. located at One Carlson Parkway, Suite 124, Minneapolis, Minnesota 55447, *telephone* (763-710-4455), *website* www.diamedica.com.

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DEFINITIONS AND GENERAL MATTERS

As used in this Prospectus, unless the context otherwise indicates, the terms "DiaMedica", "Company", "we", "us" and "our" mean DiaMedica Inc.

Purchasers of Securities should rely only on the information contained or incorporated by reference in this Prospectus or any applicable Prospectus Supplement. The Company has not authorized anyone to provide purchasers with different or additional information. If anyone provides purchasers with different or additional information, purchasers should not rely on it. The Company is not making an offer to sell or seeking an offer to buy these Securities in any jurisdiction where the offer or sale is not permitted. Purchasers should assume that the information contained in this Prospectus or any applicable Prospectus Supplement is accurate only as of the date on the front of those documents and that information contained in any document incorporated by reference is accurate only as of the date of that document, regardless of the time of delivery of this Prospectus or any applicable Prospectus Supplement or of any sale of the Securities. The Company's business, financial condition, results of operations and prospects may have changed since those dates.

This Prospectus includes references to trade names and trademarks of other companies, which trade names and trademarks are the property of their respective owners. Statistical information and other data relating to the pharmaceutical and biotechnology industry included in this Prospectus are derived from industry reports published by industry analysts, industry associations and/or independent consulting and data compilation organizations. Market data and industry forecasts used throughout this Prospectus were obtained from various publicly available sources. Although we believe that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

In this Prospectus, unless otherwise noted, all dollar amounts are in Canadian dollars. References to "US dollars" are to the lawful currency of the United States of America.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical facts, included in this Prospectus 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 and our research and development program. We also use the term "demonstrated" in this Prospectus 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 Prospectus. These factors and the other cautionary statements made in this Prospectus should be read as being applicable to all related forward-looking statements and statements of "belief" wherever they appear in this Prospectus.

Any forward-looking statements and statements of "belief" represent our estimates only as of the date of this Prospectus and should not be relied upon as representing our estimates as of any subsequent date. 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. The forward-looking statements contained in this Prospectus include, but are not limited to, statements regarding our:

- intention to commercialize our products for the treatment of diabetes and potential additional indications;
- intention to develop any of our drugs either on our own or in partnership with others;
- intention to carry out trials on our products for the treatment of diabetes and potential additional indications, and intention to publish the results thereof;
- intention to obtain regulatory approval for our products;
- expectations with respect to the cost of the testing and commercialization of our products;
- sales and marketing strategy;
- expectations regarding this or any future financings;
- anticipated sources of revenue;
- ability to obtain the substantial capital required to fund research and operations;
- intentions regarding the protection of our intellectual property;
- business strategy; and
- intention with respect to dividends.

Such forward-looking statements involve known and unknown risks and uncertainties, including those referred to in this Prospectus 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. These risks include, but are not limited to:

- our ability to successfully initiate or complete clinical studies on a timely basis;
- our ability to obtain, on satisfactory terms or at all, the capital required for product development, operations and marketing;
- our ability to attract patients to our clinical trials;
- general economic, business and market conditions;
- product development delays and other uncertainties related to new product development;
- our ability to attract and retain business partners and key personnel;
- our inability to profitably commercialize our products;
- operating losses and the extent of any future losses;
- our ability to operate as a going concern;
- our inability to establish or manage manufacturing, development or marketing collaborations;
- delay of, or failure to obtain, necessary regulatory approvals and, ultimately, product launches;
- dependence on third parties for successful commercialization of our products;
- inability to obtain quantities of development product in sufficient quantity or at standards acceptable to complete studies;
- the risk of termination or conversion to non-exclusive licenses or our inability to enforce our rights under our licenses;
- our ability to obtain patent protection and protect our intellectual property rights;
- commercialization limitations imposed by intellectual property rights owned or controlled by third parties;
- uncertainty related to intellectual property liability rights and liability claims asserted against us;

- uncertainty of recovery of advances to subsidiaries;
- impact of competitive products and pricing;
- future levels of government funding; and
- other factors discussed under "Risk Factors".

We caution you that the foregoing list of important factors and assumptions is not exhaustive. 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 Prospectus. Additional risk factors are described in our AIF and the MD&A which are incorporated by reference herein. 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.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada.

The following documents listed below and filed by DiaMedica with the appropriate securities commissions or similar regulatory authorities in British Columbia, Alberta, Manitoba and Ontario are specifically incorporated by reference into and form an integral part of this Prospectus:

a) the annual information form of the Company dated November 29, 2013 for the year ended December 31, 2012 (the "**AIF**");

b) our audited consolidated financial statements as at December 31, 2012 and December 31, 2011, and for the years ended December 31, 2012 and 2011 together with the notes thereto and the auditors' report thereon, as filed on SEDAR on April 30, 2013;

c) management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2012 and 2011, as filed on SEDAR on April 30, 2013 (the "**MD&A**");

d) our unaudited condensed consolidated interim financial statements for the three-month and nine-month periods ended September 30, 2013 and 2012, together with the notes thereto, as filed on SEDAR on November 28, 2013;

e) management's discussion and analysis of financial condition and results of operations for the three-month and nine-month periods ended September 30, 2013 and 2012, as filed on SEDAR on November 28, 2013;

f) the material change report of DiaMedica dated January 3, 2014 with respect to the completion of the non-brokered private placement of 154,500 Units for gross proceeds of $139,050 which closed on January 3, 2014 (the "**Non-Brokered Private Offering**");

g) the material change report of DiaMedica dated December 23, 2013 with respect to the completion of the short form prospectus offering of 2,888,910 Units for gross proceeds of $2,600,019 which closed on December 23, 2013 (the "**December Offering**");

h) the material change report of DiaMedica dated March 27, 2013 with respect to the completion of the short form prospectus offering of 5,111,175 Units for gross proceeds of $4,600,057.50 which closed on March 22, 2013 (the "**March Offering**");

i) the material change report of DiaMedica dated January 9, 2013 with respect to the appointment of Mark Robbins as the Company's Vice President Clinical and Regulatory Affairs and the issuance of stock options;

j) DiaMedica's management information circular dated November 6, 2013, for the annual and special meeting of shareholders held on December 16, 2013; and

k) the press release of DiaMedica dated February 22, 2013 regarding David Allan.

Any document of the type referred to in the preceding paragraph subsequently filed by us with such securities commissions or regulatory authorities after the date of the Prospectus, and prior to the termination of the Offering shall be deemed to be incorporated by reference into the Prospectus.

Upon a new renewal annual information form and the related annual financial statements and management's discussion and analysis of financial condition and results of operations being filed by DiaMedica with the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual financial statements and the information circular filed prior to the commencement of the Company's financial year in which the new renewal annual information form was filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offerings of the Securities hereunder.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute nor be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

DIAMEDICA INC.

DiaMedica was incorporated as Diabex Inc. pursuant to *The Corporations Act* (Manitoba) by articles of incorporation dated January 21, 2000. The Company's articles of incorporation were amended on: (1) October 6, 2000 to effect a share split on the basis of 35,307.6923 voting Common Shares for each issued and outstanding Common Share; (2) April 3, 2001 to change our name to DiaMedica Inc.; (3) March 14, 2005 to: (i) create an unlimited number of Class A Preferred Shares; and (ii) delete the Non-Voting Common, Class A, Class B, Class C and Class D shares in our capital; and (4) July 2, 2008 to: (i) delete the Class A Preferred Shares; and (ii) remove the restriction on share transfers (collectively, the "**Articles of Incorporation**").

The Company's registered office is located at 1700 – 360 Main Street, Winnipeg, Manitoba, R3C 3Z3. The Company's head office is currently at the office of its wholly owned subsidiary DiaMedica USA Inc. ("**DiaMedica USA**") located at One Carlson Parkway, Suite 124, Minneapolis, Minnesota 55447, www.diamedica.com.

On May 15, 2012, DiaMedica USA was incorporated pursuant to the General Corporation Law of the State of Delaware, United States. All of the issued and outstanding shares in the capital stock of DiaMedica USA are legally and beneficially owned by the Company. 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, Minnesota 55447.

OUR BUSINESS

DiaMedica Inc. is a clinical stage biopharmaceutical company focused on the discovery and development of novel therapies to treat diabetes and the complications associated with diabetes. DiaMedica's lead clinical stage compound, DM199, is a recombinant human protein known as rhKLK1 that represents a novel approach to treating diabetes and associated complications. DiaMedica is also developing a novel monoclonal antibody, DM204 for the treatment of Type 2 diabetes, which is in preclinical development. The Company seeks 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.

DM199 Program

DiaMedica's lead product, DM199, is a recombinant human protein for the treatment of both T1D and T2D and their complications. 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. The Company has successfully demonstrated the safety, tolerability and pharmacokinetics of DM199 in healthy volunteers, and has completed a acute escalating dose clinical study of DM199 in T2D patients. The Company is currently evaluating the safety, tolerability, pharmacokinetics and pharmacodynamics of DM199 in a month-long Phase II clinical trial. Collectively, data from this trial will support chronic dosing and proof-of-concept studies of DM199 for T2D, and potentially, future clinical studies for treatment of kidney disease and T1D.

Recent results: The Company initiated a Phase I/II clinical trial in Q2-2013 to evaluate the safety, tolerability, pharmacokinetics ("**PK**") and efficacy of DM199 in 36 healthy volunteers and in 40 patients with Type 2 diabetes. The Company successfully completed acute escalating dosing of DM199 at multiple levels in healthy volunteers. Preliminary results from the first part of the study in 18 healthy volunteers show that DM199 was well tolerated and demonstrated a favorable PK profile, supporting potential once weekly dosing. The Company has also completed the single ascending dose ("SAD") portion of the DM199 Phase I/II clinical study to evaluate the acute effects of escalating doses of DM199 in patients with Type 2 diabetes. The study achieved its primary clinical endpoints of demonstrating the safety, tolerability and sustained PK properties of DM199, while also suggesting an insulin sensitization mechanism of action for Type 2 diabetes.

The first segment of clinical testing in Type 2 diabetic patients was a randomized, double-blinded, placebo-controlled study which enrolled 10 Type 2 diabetic patients. The patients were dosed with either DM199 at three single ascending dose levels or placebo. DM199 was well-tolerated at all three dose levels by the diabetic patients with no dose limiting side effects. In addition, results from secondary endpoints of the clinical trial assessing glucose control were consistent with an insulin sensitization mechanism of action. Insulin sensitizers lower a patient's blood sugar levels by increasing the body's response to insulin over time. DM199 treated patients showed a signal in improving insulin sensitivity as measured by HOMA2-IR compared to control. HOMA2-IR levels in patients treated with DM199 resulted in stabilization in some patients and downward trend in the others while each placebo patient increased (worsened) HOMA2-IR levels suggesting the potential as an insulin sensitizer.

DiaMedica also completed a Phase I PK study in 14 healthy volunteers which demonstrated DM199 has an extended half-life (time required to reduce concentration of drug in body by one-half) confirming earlier PK results. DM199 also had long half-life and similar PK profile in Type 2 diabetic patients.

DM204 Program

The Company is also developing a monoclonal antibody, DM204, targeted to the human receptor cell line for the treatment of T2D and cardiovascular disease. The Company is continuing to optimize the antibody selection and further define the pharmacological properties of DM204.

We plan to continue to generate additional preclinical data for both DM199 and DM204 in other indications in which these novel molecules have been shown to, or are expected to, demonstrate pharmacologic activity

CONSOLIDATED CAPITALIZATION

There have been no material changes in the equity or loan capitalization of the Company since September 30, 2013, the date of the Company's most recently filed financial statements other than as a result of the December Offering, the Non-Brokered Private Offering and partial exercise of the over-allotment option in connection with the December Offering (the "**December Offering Over-Allotment**") as shown below.

(Unaudited)	**Balance** (as at Sept. 30, 2013, before giving effect to any increase in equity capitalization)	**Balance** (as at Sept. 30, 2013 after giving effect to the December Offering, the Non-Brokered Private Placement Offering and the December Offering Over-Allotment)
Shareholders' equity (deficiency)		
Common Shares and Warrants[(1)]	$34,580,287 (55,740,685 Common Shares and 3,944,944 Warrants)	$36,961,238 (58,815,095 Common Shares and 5,666,614 Warrants)
Contributed surplus	$3,998,202	$3,998,202
Deficit	$(38,040,202)	$(38,040,202)
Total Capitalization	$538,287	$2,919,238

Notes:

(1) As at September 30, 2013, the Company had outstanding options issued to officers, directors, employees and consultants, to purchase an aggregate of 4,943,000, Common Shares at exercise prices ranging from $0.42 to $1.70 per share. As at September 30, 2013, the Company had 74,556 outstanding deferred share units issued to senior management and its board of directors.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, the net proceeds received by the Company from the sale of the Securities will be used for our research and development programs, our manufacturing activities in support of such research and development programs and for general and administrative purposes (which includes research and development salaries and overhead). Specific information about the net proceeds will be described in the applicable Prospectus Supplement.

We are engaged in research and development activities, and to date we have not recorded any revenues from the sale of products. Consequently, we do not generate any operating income or cash flows from operations. To date, we have depended on equity capital to finance our activities. For the nine months ended September 30, 2013, we had negative operating cash flows from operating activities of $5,213,182. It is expected that losses will increase in the near term as we continue our product development efforts, enter clinical trials and seek regulatory approval for our products.

We do not know whether any of our potential products 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 up to ten years and we may incur development costs prior to partnering the products for commercialization by others. In addition, we may encounter unforeseen difficulties or delays in commercializing our products.

PLAN OF DISTRIBUTION

General

The Company may sell its Securities to or through underwriters, dealers, placement agents or other intermediaries and the Company may also sell its securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements.

The Securities offered pursuant to any Prospectus Supplement may be sold from time to time in one or more transactions at: (i) a fixed price or prices, which may be changed from time to time; (ii) market prices prevailing at the time of sale; (iii) prices related to such prevailing market prices; or (iv) other negotiated prices. The Company may only offer and sell the Securities pursuant to a Prospectus Supplement during the 25-month period that this Prospectus, including any amendments hereto, remains effective. The Prospectus Supplement for any of the Securities being offered thereby will set forth the terms of the offering of such Securities, including the type of Security being offered, the name or names of any underwriters, dealers or agents, the purchase price of such Securities, the proceeds to the Company from such sale, any underwriting commissions or discounts and other items constituting underwriters' compensation and any discounts or concessions allowed or re-allowed or paid to dealers. Only underwriters or agents so named in the Prospectus Supplement are deemed to be underwriters in connection with the Securities offered thereby.

In connection with the sale of Securities, underwriters or agents may receive compensation from the Company or from purchasers of Securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters, dealers, placement agents or other intermediaries that participate in the distribution of Securities may be deemed to be underwriters and any discounts or commissions received by them from the Company and any profit on the resale of securities by them may be deemed to be underwriting discounts and commissions under applicable securities legislation.

If so indicated in the applicable Prospectus Supplement, the Company may authorize dealers or other persons acting as its agents to solicit offers by certain institutions to purchase the Securities directly from the Company pursuant to contracts providing for payment and delivery on a future date. These contracts will be subject only to the conditions set forth in the applicable Prospectus Supplement, which will also set forth the commission payable for solicitation of these contracts.

Any offering of Warrants or Units will be a new issue of Securities with no established trading market. Unless otherwise specified in the applicable Prospectus Supplement, the Warrants or Units will not be listed on any securities exchange. **Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Warrants or Units may be sold and purchasers may not be able to resell the Warrants or Units purchased under this Prospectus. This may affect the pricing of these securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See the "Risk Factors" section of the applicable Prospectus Supplement.**

Offering of Securities

The Prospectus Supplement will set forth the terms of the offering of Securities, including:

- the name or the names of any underwriters, dealers or other placement agents, if any;
- the purchase price of, and form of consideration for, the Securities and the proceeds;

- any delayed delivery arrangements;
- any underwriting commission, fees, discounts and other items constituting underwriters' compensation;
- the offering price;
- any discounts or concessions allowed or re-allowed or paid to dealers; and
- any other securities exchanges on which the Securities may be listed, if any.

Only the underwriters named in a Prospectus Supplement are deemed to be underwriters in connection with the Securities offered by that Prospectus Supplement.

The Common Shares may be sold, from time to time in one or more transactions at a fixed price or prices that may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market price or at negotiated prices.

Under agreements that may be entered into by DiaMedica, underwriters or dealers and agents who participate in the distribution of securities may be entitled to indemnification by the Company against certain liabilities, including liabilities under any applicable Canadian provincial securities legislation, or to contribution with respect to payment that such underwriters, dealers or agents may be required to make in that respect.

In connection with an offering, the underwriters or the agents, if any, may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time and would be subject to applicable law.

By Underwriters or Dealers

If underwriters are used in the sale, the Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Unless otherwise set forth in the Prospectus Supplement relating thereto, the obligations of underwriters to purchase the Securities will be subject to certain conditions, but the underwriters will be obligated to purchase all of the Securities offered by the Prospectus Supplement if any of such Securities are purchased. The Company may agree to pay the underwriters a fee or commission for various services relating to the offering of any Securities. Any such fee or commission will be paid out of the general corporate funds of the Company.

If dealers are used, and if so specified in the applicable Prospectus Supplement, the Company will sell such Securities to the dealers as principals. The dealers may then resell such Securities to the public at varying prices to be determined by such dealers at the time of resale. Any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

By Agents

The Securities may also be sold through agents designated by the Company. Any agent involved will be named, and any fees or commissions payable by the Company to such agent will be set forth, in the applicable Prospectus Supplement. Any such fees or commissions will be paid out of the general corporate funds of the Company. Unless otherwise indicated in the Prospectus Supplement, any agent will be acting on a best efforts basis for the period of its appointment.

Direct Sales

Securities may also be sold directly by the Company at such prices and upon such terms as agreed to by the Company and the purchaser. In this case, no underwriters, dealers or agents would be involved in the offering.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement may describe certain Canadian federal income tax consequences to a purchaser who is a non-resident of Canada or to a purchaser who is a resident of Canada of acquiring, owning and disposing of any of the Securities offered thereunder.

DESCRIPTION OF SECURITIES

Common Shares

DiaMedica is authorized, under its Articles of Incorporation, as amended, to issue an unlimited number of Common Shares.

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

Warrants

The following description, together with the additional information the Company may include in any applicable Prospectus Supplements, summarizes the material terms and provisions of the Warrants comprised in the Units that the Company may offer under this Prospectus in one or more series. While the terms the Company has summarized below will apply generally to any Warrants that it may offer under this Prospectus, the Company will describe the particular terms of any series of Warrants that it may offer in more detail in the applicable Prospectus Supplement. The terms of any Warrants offered under a Prospectus Supplement may differ from the terms described below.

Warrants will be issued under and governed by the terms of one or more warrant indentures (each a "**Warrant Indenture**") to be entered into between the Company and a warrant agent (the "**Trustee**").

This summary of some of the provisions of the Warrants is not complete. The statements made in this Prospectus relating to any Warrant Indenture and Warrants to be issued under this Prospectus are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Warrant Indenture. Prospective investors should refer to the Warrant Indenture relating to the specific Warrants being offered for the complete terms of the Warrants. A copy of any Warrant Indenture relating to an offering of Warrants will be filed by the Company with the applicable securities regulatory authorities in Canada after the Company has entered into it.

The applicable Prospectus Supplement relating to any Warrants offered by the Company will describe the particular terms of those Warrants and include specific terms relating to the offering.

The particular terms of each issue of Warrants will be described in the applicable Prospectus Supplement. This description will include, where applicable:

- the designation and aggregate number of Warrants;
- the price at which the Warrants will be offered;
- the date on which the right to exercise the Warrants will commence and the date on which the right will expire;

- the number of Common Shares that may be purchased upon exercise of each Warrant and the price at which and currency or currencies in which the Common Shares may be purchased upon exercise of each Warrant;
- the designation and terms of any Securities with which the Warrants will be offered, if any and the number of Warrants that will be offered with each Security;
- the date or dates, if any, on or after which the Warrants and the other Securities with which the Warrants will be offered will be transferable separately;
- whether the Warrants will be subject to redemption and, if so, the terms of such redemption provisions;
- whether the Company will issue the Warrants as global securities and, if so, the identity of the depositary of the global securities;
- whether the Warrants will be listed on any exchange;
- material United States and Canadian federal income tax consequences of owning the Warrants; and
- any other material terms or conditions of the Warrants.

Units

The Company may issue Units comprised of one or more of the other Securities described in this Prospectus in any combination. Each Unit will be issued so that the holder of the Unit is also the holder of each security included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included security.

The particular terms and provisions of Units offered by any Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Units.

PRIOR SALES

The following table summarizes the issuances of Common Shares, as well as the issuance of securities exercisable for Common Shares in the 12 month period prior to the date hereof.

Date	Securities	Number of Securities	Price per Security
March 22, 2013	Issuance of Units with each Unit comprised of one Common Share and one half of one Common Share Purchase Warrant[2]	5,111,175 Common Shares 2,555,587 Warrants	$0.90 per Unit
March 22, 2013	Issuance of broker warrants[2]	357,782	Nil
June 21, 2013	Exercise of Stock Options[3]	71,042	32,500 @ $0.70 10,417 @ $0.42 28,125 @ $0.68
June 25, 2013	Issuance of Stock Options[1]	848,000	Nil
August 29, 2013	Exercise of broker warrants[4]	13,800	$0.90
September 6, 2013	Exercise of warrants[5]	5,000	$1.10
September 9, 2013	Exercise of broker warrants[4]	1,125	$0.90
September 11, 2013	Exercise of warrants[5]	4,100	$1.10
October 15, 2013	Exercise of stock options[3]	25,000	$0.70
November 11, 2013	Issuance of Stock Options[1]	100,000	Nil
December 23, 2013	Issuance of Units with each Unit	2,888,910 Common	$0.90 per Unit

	comprised of one Common Share and one half of one Common Share Purchase Warrant[6]	Shares 1,444,455 Warrants	
December 23, 2013	Issuance of broker warrants[6]	173,334	Nil
January 3, 2014	Issuance of Units with each Unit comprised of one Common Share and one half of one Common Share Purchase Warrant[7]	154,050 Common Shares 77,250 Warrants	$0.90 per Unit
January 3, 2014	Issuance of broker warrants[7]	9,270	Nil
January 30, 2014	Issuance of Units with each Unit comprised of one Common Share and one half of one Common Share Purchase Warrant[8]	31,000 Common Shares 15,500 Warrants	$0.90 per Unit
January 30, 2014	Issuance of broker warrants[8]	1,860	Nil

Notes:

(1) Issued pursuant to DiaMedica's stock option plan.

(2) Issued in connection with the March Offering.

(3) Exercised pursuant to DiaMedica's stock option plan.

(4) Exercised pursuant to the March Offering Broker Warrants (as defined below). Pursuant to the March Offering, 357,782 broker warrants were issued (the "**March Offering Broker Warrants**"). Such warrants were exercisable at any time on or prior to March 22, 2014 at an exercise price of $0.90 in accordance with the certificate evidencing same.

(5) Exercised in accordance with the terms of a warrant indenture between DiaMedica and the Trustee dated March 22, 2013.

(6) Issued in connection with the December Offering.

(7) Issued in connection with the Non-Brokered Private Offering.

(8) Issued in connection with December Offering Over-Allotment

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX-V under the symbol "DMA". The following table sets out the market price range and trading volumes of the Common Shares on the TSX-V for the periods indicated.

Month	High	Low	Volume
February 2014	$0.94	$0.75	429,462
January 2014	$0.95	$0.80	542,037
December 2013	$0.96	$0.82	751,126
November 2013	$1.00	$0.77	527,339
October 2013	$1.27	$0.86	849,801
September 2013	$1.49	$1.25	900,170
August 2013	$1.35	$1.01	874,775
July 2013	$1.06	$0.89	706,145
June 2013	$1.20	$0.96	819,883
May 2013	$1.38	$0.86	942,552

April 2013	$0.92	$0.75	564,174
March 2013	$1.03	$0.82	677,048
February 2013	$1.25	$0.84	857,352
January 2013	$1.34	$0.81	966,917

LEGAL MATTERS

Certain Canadian legal matters relating to the offering of Securities under this Prospectus will be passed upon by Fillmore Riley LLP, counsel to DiaMedica. As of the date hereof, the partners and associates of Fillmore Riley LLP, as a group, beneficially hold, directly or indirectly less than 1% of the outstanding Common Shares and hold no other securities of the Company.

RISK FACTORS

An investment in the Securities involves a high degree of risk and should be considered speculative. An investment in the Securities should only be undertaken by those persons who can afford the total loss of their investment. Potential investors should carefully consider the risks and uncertainties described below, as well as other information contained in this Prospectus and incorporated by reference in this Prospectus and, in particular, the risk factors set out under the heading "Risk Factors" in the AIF which include risks related to: Clinical Trials and Product Development, Regulatory Matters, Additional Financing Requirements and Access to Capital, the Company's Stage of Development, Competition, Dependence on Key Personnel, Patents and Proprietary Rights, Third-Party Intellectual Property Infringement Claims, Lack of Product Revenues; History of Operating Losses; Significant Doubt About the Ability to Continue as a Going Concern, and the risk factors set out under the heading "Risk Factors" in the MD&A including risks related to: Credit Risk, Liquidity Risk and Market Risk and any risk factors set out in any Prospectus Supplement. If any of such risks occur, our business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders of Common Shares to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including without limitation, those set out under the heading "*Forward-Looking Statements*". In addition, the market price for securities in the stock markets can experience significant price and trading fluctuations. These fluctuations can result in volatility in the market prices of securities that is often unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

In addition to the foregoing, fluctuations in the market price of the Common Shares can significantly affect the value of the Warrants, and such fluctuations may render the Warrants valueless in the event that the market price of the Common Shares is below the exercise price on the expiry date of the Warrants.

Risks and Uncertainties of Current Economic Conditions and Lack of Revenues

To date, the Company has primarily relied on equity financing to fund its working capital requirements and drug development activities. A substantial amount of additional capital is needed to develop the Company's products to a point where they may be commercially sold. The Company's future operations are dependent

upon its ability to generate product sales, negotiate collaboration or license agreements, obtain research grant funding, defer expenditures, or pursue other strategic alternatives, and/or secure additional funds. While the Company is 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 favourable terms or obtained at all. The Company's ability to continue as a going concern is dependent on its ability to continue obtaining sufficient funds to conduct its research and development, and to successfully commercialize its products. There is substantial doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and cash outflows from operations since incorporation, its cash resources are not sufficient for the next 12 months of planned operations, and it has not reached successful commercialization of its products.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, Chartered Accountants, Suite 2000, One Lombard Place, Winnipeg, Manitoba, R3B 0X3. The transfer agent and registrar for the Common Shares is CST Trust Company at its principal offices in Calgary, Alberta.

KPMG LLP has advised 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.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Company to which the Company is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to the Company to be contemplated.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: March 3, 2014

This short form base shelf prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form base shelf prospectus as required by the securities legislation of British Columbia, Alberta, Manitoba and Ontario.

DIAMEDICA INC.

"Rick Pauls"	*"James Parsons"*
Rick Pauls President, Chief Executive Officer & Chairman	James Parsons Vice-President, Finance (acting in the capacity of Chief Financial Officer)

On behalf of the Board of Directors of DiaMedica Inc.

"Dawson Reimer"	*"Thomas Wellner"*
Dawson Reimer Director	Thomas Wellner Director