CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

Confidential draft submitted to the Securities and Exchange Commission on October 18, 2018. This draft registration statement has not been filed publicly with the Securities and Exchange Commission and all information contained herein remains confidential.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

AMENDMENT NO. 2
TO
FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

DIAMEDICA THERAPEUTICS INC.
(Exact name of registrant as specified in its charter)

Canada	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2 Carlson Parkway, Suite 260
Minneapolis, Minnesota 55447
(Address of principal executive offices) (Zip Code)

(763) 496-5454
(Registrant's telephone number, including area code)

Rick Pauls
President and Chief Executive Officer
DiaMedica Therapeutics Inc.
2 Carlson Parkway, Suite 260
Minneapolis, Minnesota 55447
(763) 496-5454
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:
Amy E. Culbert, Esq.
Brett R. Hanson, Esq.
Fox Rothschild LLP
222 South Ninth Street, Suite 2000
Minneapolis, MN 55402
(612) 607-7000

Securities to be registered under Section 12(b) of the Act:

Title of each class to be so registered	**Name of each exchange on which each class is to be registered**
Voting Common Shares	**The Nasdaq Stock Market LLC**
Voting Common Share Purchase Rights	**The Nasdaq Stock Market LLC**

Securities to be registered under Section 12(g) of the Act:
None

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐		Accelerated filer ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☒
		Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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INFORMATION REQUIRED IN REGISTRATION STATEMENT

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EXPLANATORY NOTE

DiaMedica Therapeutics Inc. is filing this registration statement on Form 10 pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because we are seeking to list our voting common shares, no par value ("common shares"), on The Nasdaq Capital Market ("Nasdaq"). We are a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, and an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act").

Our common shares currently trade in Canada on the TSX Venture Exchange (the "TSX-V") under the trading symbol "DMA" and over-the-counter in the United States on the OTCQB marketplace under the trading symbol "DMCAF." We have applied to list our common shares on Nasdaq under the trading symbol "DMAC."

In order to meet the minimum bid price listing standard required by Nasdaq in connection with our Nasdaq listing application, we intend to effect a share consolidation, or reverse stock split, of our common shares, prior to the effective date of this registration statement. At our Annual General and Special Meeting of Shareholders held on December 21, 2017, our shareholders approved a reverse split at a rate of up to one-for-thirty (1:30), with the actual rate to be determined by our Board of Directors in its sole discretion; provided, that the split must be effected no later than December 21, 2018. Our Board of Directors has not yet determined the actual reverse split ratio or timing of the split. The selection of the reverse split ratio will be based primarily on the trading price of our common shares at the time and anticipated stability at that level. The reverse stock split will not affect the number of our authorized common shares. We must obtain approval of the TSX-V prior to effecting the reverse stock split.

Unless we indicate otherwise, the information in this registration statement does not reflect the pro forma impact of the reverse stock split. We intend to update the information in this registration statement prior to its effective date to reflect the pro forma impact of the reverse stock split. If we effect the reverse stock split, then, without further action on the part of our shareholders, the outstanding common shares held by shareholders of record as of the effective date of the reverse stock split will be converted into a fewer number of common shares based on the reverse stock split ratio. For example, if the Board of Directors approves a reverse split ratio of one-for-ten (1:10), then a holder of 10,000 common shares would hold 1,000 common shares immediately following the reverse stock split. No fractional shares will be issued in connection with the reverse stock split. In the event that a shareholder would otherwise be entitled to receive a fractional share in connection with the reverse stock split, the number of common shares to be received by such shareholder will be rounded up or down to the nearest whole common share.

We do not currently file periodic reports with the United States Securities and Exchange Commission (the "SEC"). When this registration statement becomes effective, we will be required to file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC pursuant to the Exchange Act. You may read and copy this information, for a copying fee, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on its Public Reference Room. Our SEC filings will also be available to the public at the website maintained by the SEC at http://www.sec.gov.

Our internet website address is http://www.diamedica.com. Information contained on our website does not constitute part of this registration statement. When this registration statement becomes effective, we will make available on our website, through a link to the SEC's website, electronic copies of the documents we file with the SEC.

As used in this registration statement, unless otherwise specified or the context otherwise requires, "DiaMedica," "we," "our," "us" and the "Company" refer to DiaMedica Therapeutics Inc. and our subsidiaries, and references to "CAD$" and "Canadian dollars" are to the lawful currency of Canada and references to "$" and "US$" and "U.S. dollars" are to the lawful currency of the United States. All dollar amounts herein are in U.S. dollars, unless otherwise indicated.

DiaMedica Therapeutics Inc. and our logo are our trademarks. This registration statement also includes trademarks, tradenames and service marks that are the property of us and of other organizations. Solely for convenience, our trademarks and tradenames referred to in this registration statement appear without any "™" or "®" symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of any applicable licensor, to these trademarks and tradenames.

SPECIAL NOTE REGARDING INDUSTRY DATA

Unless otherwise indicated, information contained in this registration statement concerning DiaMedica, our business, our product candidates, our industry and our general expectations concerning our product candidates and industry are based on management estimates. Such estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and reflect assumptions made by us based on such data and our knowledge of the industry, which we believe to be reasonable.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this registration statement that are not descriptions of historical facts are forward-looking statements that are based on management's current expectations and are subject to risks and uncertainties that could negatively affect our business, operating results, financial condition and stock price. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," "will," "would" or the negative of these terms or other comparable terminology. Factors that could cause actual results to differ materially from those currently anticipated include those set forth under Item 1.A. "Risk Factors" including, in particular, risks relating to:

- the results of research and development activities;
- uncertainties relating to preclinical and clinical testing, financing and strategic agreements and relationships;
- the early stage of our products under development;
- our need for substantial additional funds;
- government regulation;
- our ability to obtain and maintain regulatory approval of our lead product candidate, DM199, and any of our other current or future product candidates;
- our ability to retain key scientific or management personnel;
- patent and intellectual property matters;
- dependence on third parties; and
- competition.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section Item 1.A. "Risk Factors." Moreover, we operate in a very competitive and rapidly-changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this registration statement may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this registration statement to conform these statements to actual results or to changes in our expectations.

ITEM 1. BUSINESS.

Overview

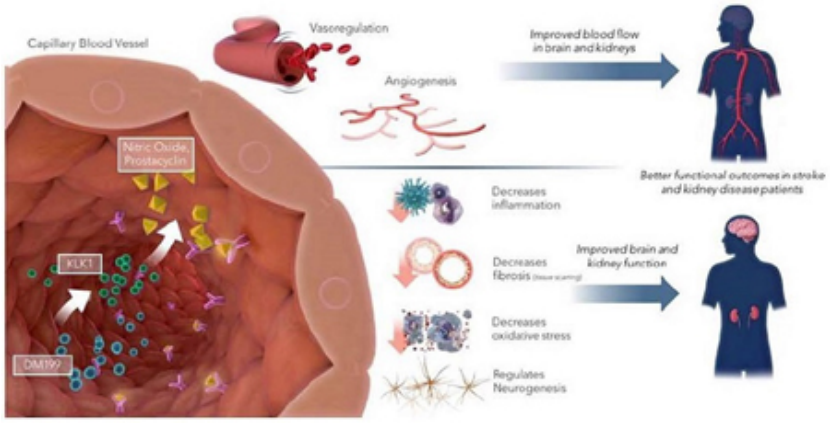
We are a clinical stage biopharmaceutical company primarily focused on the development of novel recombinant (synthetic) proteins. Our goal is to use our patented and licensed technologies to establish our company as a leader in the development and commercialization of novel recombinant proteins to treat neurological and kidney diseases. Our primary focus is on acute ischemic stroke ("AIS") and chronic kidney disease ("CKD"). We plan to advance our lead drug candidate, DM199, through clinical trials, as appropriate, to create shareholder value by establishing its clinical and commercial potential as a therapy for AIS and CKD.

DM199 is a recombinant form of human tissue kallikrein-1 ("KLK1"). KLK1 is a serine protease (protein) produced in the pancreas, kidneys and salivary glands, which plays a critical role in the regulation of local blood flow and vasodilation (the widening of blood vessels which decreases blood pressure) in the body, as well as an important role in inflammation and oxidative stress (an imbalance between potentially damaging reactive oxygen species, or free radicals, and antioxidants in your body). We believe DM199 has the potential to treat a variety of diseases where healthy functioning requires sufficient activity of KLK1 and its system, the kallikrein-kinin system ("KKS"). The primary focus for our DM199 program development is on AIS and CKD; however, we also intend to pursue advancement in the vascular dementia market.

The current status of our product candidates in preclinical and clinical development is as follows:

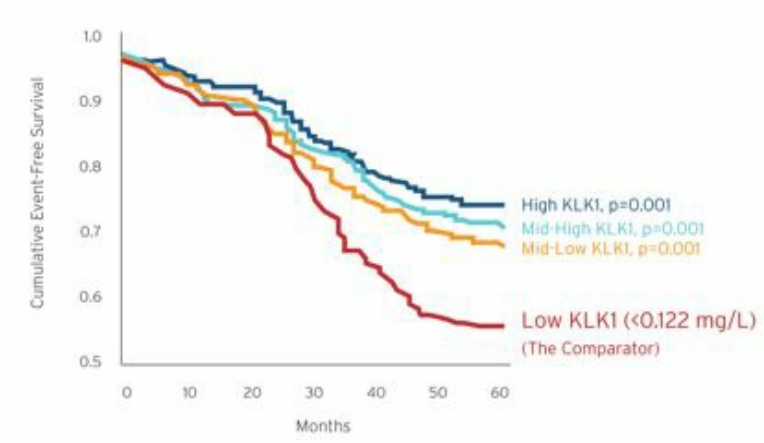
KLK1 is involved in multiple biochemical processes. The most well-characterized activity of KLK1 is its enzymatic cleavage of low molecular weight kininogen ("LMWK") to produce bradykinin ("BK")-like peptides, collectively known as kinins, which activate BK receptors (BK1R, BK2R). Activation of BK receptors by kinins sets in motion metabolic pathways that can improve blood flow (through vasodilation), dampen inflammation, and protect tissues and end-organs from ischemic damage. Scientific literature, including publications in *Circulation Research*, *Immunopharmacology* and *Kidney International*, suggests that lower endogenous KLK1 levels in patients are associated with diseases related to vascular disorders, such as kidney diseases, stroke and hypertension. We believe DM199 could replenish endogenous KLK1 to properly activate the BK system that protects the kidney and brain from damage. By providing this additional supply of KLK1, DM199 treatment could improve blood flow to damaged end-organs, such as kidneys and brain, supporting the structural integrity and normal functioning.

DM199 (KLK1): Increasing Blood Flow in Brain and Kidneys



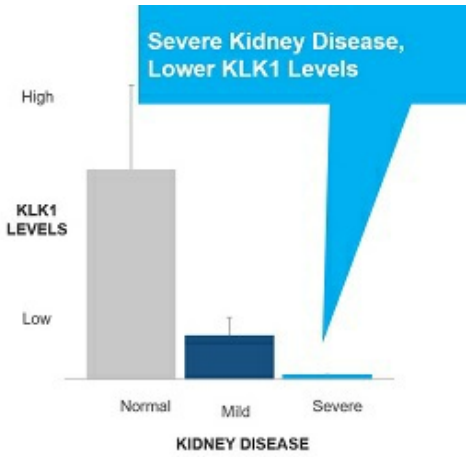
We believe DM199 may provide new treatment options with significant benefits over the current standards of care by offering potentially fewer side effects and a therapeutic treatment option to a greater number of patients. There are no approved therapies in the United States or the European Union, of which we are aware, to address low KLK1 levels. We are positioning DM199 for worldwide use. We have conducted and are conducting clinical trials in Europe and Australia to support regulatory filings in the United States, Europe and around the world; with an initial focus on the United States. We are currently preparing to file an initial Investigational New Drug ("IND") application with the FDA in the United States in patients with CKD.

Lower KLK1 levels are associated with initial stroke events and are also a predictor of stroke recurrence after an initial stroke. As shown in the graph below, the red line represents patients in the lowest KLK1 quartile who are at the highest risk for recurrence of stroke. (2,478 stroke patients and event free survival over 5 years).



For patients suffering from kidney disease, studies have shown that KLK1 excretion, or levels of KLK1 in the urine, significantly decreased in patients with mild kidney disease and was further reduced in patients with severe renal failure requiring dialysis as compared to healthy subjects, as illustrated in the graph below.

Low KLK1 Levels Associated With Kidney Disease



We are a corporation organized under the Canada Business Corporations Act (the "CBCA"). Our company was initially incorporated under the name Diabex Inc. pursuant to The Corporations Act (Manitoba) by articles of incorporation dated January 21, 2000. Our articles were amended (i) on February 26, 2001 to change our corporate name to DiaMedica Inc., (ii) on April 11, 2016 to continue the Company from The Corporations Act (Manitoba) to the CBCA, (iii) on December 28, 2016 to change our corporate name to DiaMedica Therapeutics Inc. and (iv) on September 24, 2018 to permit us to hold shareholder meetings in the U.S. and to permit our directors, between annual meetings of our shareholders, to appoint one or more additional directors to serve until the next annual meeting of shareholders; provided, however, that the number of additional directors shall not at any time exceed one-third (1/3) of the number of directors who held office at the expiration of the last meeting of shareholders. Our common shares currently trade in Canada on the TSX-V under the trading symbol "DMA" and over-the-counter in the United States on the OTCQB marketplace under the trading symbol "DMCAF." We have applied to list our common shares on Nasdaq under the trading symbol "DMAC."

Our registered office is located at 301-1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3 and our principal executive office is located at our wholly owned subsidiary, DiaMedica USA Inc., located at 2 Carlson Parkway, Suite 260, Minneapolis, Minnesota, USA 55447. Our telephone number is 763-496-5454. Our internet website address is http://www.diamedica.com. Information contained on our website does not constitute part of this registration statement.

Our Strategy

Our goal is to become a leader in the discovery, development, and commercialization of recombinant proteins for the treatment of severe and life-threatening diseases. We seek to identify and select, for development and partnership, recombinant proteins with novel mechanisms that have biological properties with broad applicability. Once we have selected a class of recombinant proteins, we apply their biological properties to clinical settings with unmet needs, and we evaluate opportunities based on estimated development timelines and costs, regulatory pathway, and commercial opportunities. After identifying suitable molecules for clinical development, we intend to mitigate development risk by maintaining a diversified and broad clinical pipeline, rapidly analyzing data to determine the potential of each program and entering into development collaborations with industry-leading companies.

Currently, our strategy includes the following key components:

- DM199 for AIS - complete our ongoing Phase 2 study
- DM199 for CKD - advance Phase 1b and Phase 2 studies
- DM199 for vascular dementia - initiate Phase 2 study, following AIS study and with sufficient resources
- Leverage our technologies to expand our development pipeline
- Use our expertise to identify and manufacture novel recombinant proteins

Targeted Indications and Markets for DM199

Acute Ischemic Stroke

Stroke is characterized by the rapidly developing loss of brain function due to disturbance in the blood. As a result, the affected area of the brain becomes inactive and eventually dies. Strokes can be classified into two major categories: AIS and hemorrhagic stroke. AIS is characterized by interruption of the blood supply by a blood clot (ischemia), while a hemorrhagic stroke results from rupture, or bleeding, of a blood vessel or an abnormal vascular structure. According to the U.S. Center for Disease Control and Prevention, or CDC, about 87% of strokes are ischemic in nature with the remainder classified as hemorrhagic. According to the CDC, worldwide, stroke is an important cause of adult disability and the second leading cause of death in developed countries. 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. According to the World Health Organization, each year approximately 15 million people worldwide suffer a stroke, of which 5.5 million will die and 5.0 million will be permanently disabled. According to the CDC:

- Every year in the United States, approximately 795,000 people experience a new or recurrent stroke each year (ischemic or hemorrhagic). Approximately 610,000 of these are first events and 185,000 are recurrent stroke events.

- Stroke caused approximately one of every 20 deaths in the United States. On average, someone in the United States has a stroke every 40 seconds, and someone dies from a stroke every four minutes.

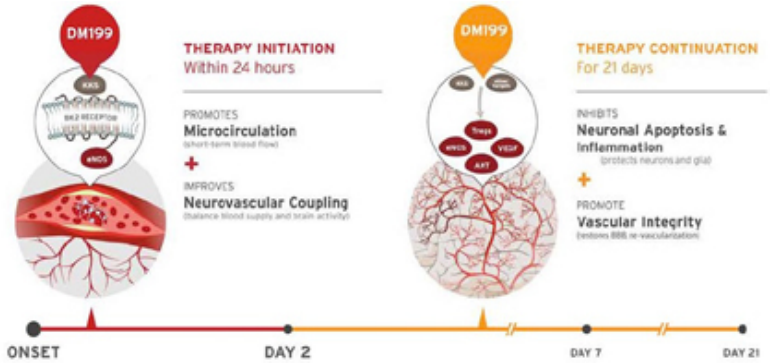
- Stroke costs the United States $34 billion annually, including the cost of health care services, medications and lost productivity.

At the site of a blood flow blockage in the brain, there exist two major ischemic zones - the core ischemic zone with nearly complete loss of blood flow, and the surrounding ischemic penumbra having partially reduced blood flow. Within minutes, the significant lack of blood flow in the core (i.e. glucose and oxygen deprivation) rapidly depletes energy stores and triggers the loss of ion gradients, ultimately leading to neuronal cell death. 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, the penumbra is at great risk of delayed tissue damage due to inflammation and cell death, or apoptosis. As time goes on, a lack of blood flow in the ischemic zone (infarct) leads to fluid buildup (edema) and swelling which creates intracranial pressure. This pressure on the brain leads to tissue compression resulting in additional ischemia. Additional events in AIS include vascular damage to the blood vessel lining or endothelium, loss of structural integrity of brain tissue and blood vessels, and inflammation. A stroke can lead to permanent damage with memory loss, speech problems, reading and comprehension difficulties, physical disabilities, and emotional/behavioral problems. The long-term costs of stroke are substantial, with many patients requiring extended hospitalization, extended physical therapy or rehabilitation, and/or long-term institutional or family care. However, provided the extended window of viability in the penumbra, next generation stroke therapies are being developed to protect valuable brain tissue during the hours to a week after a stroke.

Acute Ischemic Stroke Treatment Options

We believe that stroke represents an area of significant unmet medical need, and a KLK1 treatment (such as DM199) could provide a treatment option and a significant patient benefit with its proposed therapeutic window of up to 24 hours after the first sign of symptoms. Currently, the only pharmacological intervention for AIS is the use of tissue plasminogen activator ("tPA"), which must be given within 4.5 hours of symptom onset. Mechanical thrombectomy, in which the clot is removed using catheter-based tools, is also available to some patients. Despite the availability of these treatments, many patients are not eligible due to the location of the clot, the elapsed time after the stroke occurred, or safety considerations. Thus, we believe DM199 offers significant advantages over the current treatment options and fills an unmet need for patients who cannot receive tPA. Additionally, DM199 may also offer a complimentary follow-on treatment for patients who initially receive tPA or mechanical thrombectomy treatments. Based on the number of strokes each year (approximately 1.7 million in the U.S., Europe and Japan and 15 million worldwide) and the $8,500 estimated cost per patient for the current standard of care, tPA, we believe the annual market opportunity for DM199 could be significant.

DM199 Acute Ischemic Stroke: Proposed Mechanism



KLK1 in China (marketed under the brand name Kailikang®) is widely used for the treatment of AIS, making therapy available to hundreds of thousands of patients who currently have no options. Kailikang® is a human urine-extracted KLKl protein. We believe that the proprietary DM199 protein could result in an improved efficacy with optimized pharmacokinetics (drug level exposure) and avoid the side effects of risk of endotoxins, impurities and antibody formation in comparison to Kailikang® that is isolated from human urine. We also believe that DM199 addresses potential supply constraints that makes Kailikang® difficult and expensive to produce given the limited source of human urine. We believe these factors make the recombinant protein DM199 a product candidate that is better positioned for regulatory approval worldwide than a urine-derived protein since we believe it can meet the rigorous required manufacturing standards.

Chronic Kidney Disease

CKD is characterized by a progressive decline in overall kidney function as measured by glomerular filtration rate ("GFR") (a test used to check how well the kidneys are filtering excess fluid and waste products out of your blood), and albuminuria (the amount of albumin protein excreted in your urine). When GFR gets too low, patients develop end stage renal disease ("ESRD") and require dialysis or a kidney transplant to survive. Among multiple underlying causes, CKD often begins with an increase in blood glucose, which leads to the thickening of the glomerular membrane, known as fibrosis. As the kidney function becomes impaired, GFR decreases and abnormal amounts of protein are released into the urine collecting tubules of the kidney through damaged capillary pores. Additionally, increased blood glucose leads to increased blood pressure, reactive oxygen species, advanced glycation end product formation (harmful compounds that are formed when protein or fat combine with sugar in the bloodstream) and inflammation. As this continues, structural components of the kidney (the nephron) begin to collapse, resulting in cell ischemia and cell death. As the renal damage continues, a progressive thickening of the basement membrane is seen along with continued pathological changes in the cell and inflammation. Early stages of CKD are characterized as microalbuminuria (small amounts of protein leak into the urine). Late stages are characterized as macroalbuminuria (large amount of protein in the urine). The rate of decline depends on the type of diabetes, genetic predisposition, glycemic controls, and blood pressure. At the final stages of CKD, the kidneys fail completely and dialysis or a kidney transplant is needed.

CKD is a widespread health problem that generates significant economic burden throughout the world, including:

- 30 million Americans and 120 million Chinese suffer from this debilitating and potentially life-threatening condition according to the National Kidney Foundation.

- The primary causes of CKD are diabetes (Type 2 and Type 1) and hypertension. The Medical clinics of North America estimates that over 40% of those with Type 2 diabetes and 20% of those with Type 1 diabetes will eventually develop CKD, making it one of the more common risks for diabetics.

- Patients with CKD are at greater risk for hypertension and heart disease.

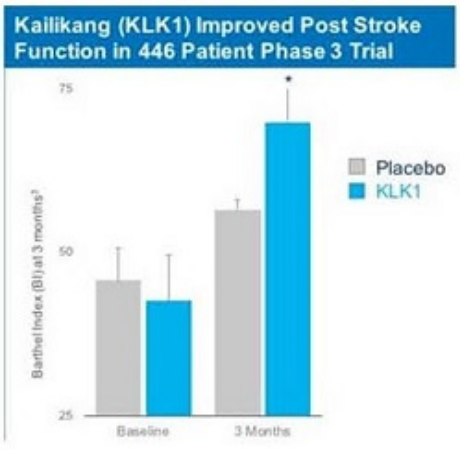
Currently, there is no cure for CKD and treatment involves management of the disease. Blood pressure medications, such as angiotensin converting enzyme inhibitors ("ACEi") or angiotensin receptor blockers ("ARB"), are often prescribed to control hypertension, and hopefully, slow the progression of CKD. Nevertheless, according to the National Kidney Foundation, many patients continue to show declining kidney function, with the overall population having a lifetime risk of 3.6% of developing ESRD, where dialysis or a kidney transplant are needed. We believe DM199 offers a potentially novel approach for the treatment CKD since KLK1 protein plays a vital role in normal kidney function, and BK and BK receptors are critical for kidney health and integrity. Since patients with moderate to severe CKD often excrete abnormally low levels of KLK1 in their urine, we believe that DM199 may prevent or reduce further kidney damage by replenishing endogenous KLK1 and restoring the protective BK system.

Potential Treatments with DM199

Acute Ischemic Stroke

We believe treatment of AIS with DM199 could have both immediate and long-term benefits for patients that could significantly improve outcomes following AIS. Immediate actions include activation of the KKS to release nitric oxide and improve microcirculation in ischemic tissue along with improvements in the balance between blood flow and brain activity (neurovascular coupling). Long-term (days following the stroke) actions include the restoration of the blood brain barrier through increases in T regulatory cells ("T-regs" – a subpopulation of T cells that modulate the immune system and prevent autoimmune disease) and inhibition of apoptotic cell death.

In China, a human urine-extracted KLKl protein (Kailikang®) is approved and marketed by Techpool Bio-Pharma Inc., a company controlled by Shanghai Pharmaceuticals Holding Co. Ltd. We believe Kailikang has been approved for the treatment of AIS in China with a treatment window of up to 48 hours post-stroke. Based on IQVIA data, other publications and internal estimates, we believe over 500,000 stroke patients have been treated with Kailikang for acute ischemic stroke in Asia. More than 50 published clinical studies, covering over 4,000 stroke patients, have demonstrated a beneficial effect of Kailikang treatment in AIS. According to a publication in the *China Journal of Neurology*, in a double-blinded, placebo-controlled trial of 446 patients treated with either KLK1 or a placebo administered up to 48 hours after a stroke showed significantly better scores on the European Stroke Scale and Activities of Daily Living at three weeks post-treatment and after three months using the Barthel Index.



Furthermore, a comprehensive meta-analysis covering 24 clinical studies involving 2,433 patients published in the *Journal of Evidenced Based Medicine* concluded that human urinary KLK1 appears to ameliorate neurological deficits for patients with AIS and improves long-term outcomes, though a few treated patients suffered from transient hypotension.

As DM199 is a recombinant form of human KLK1, we believe it has the potential to preserve "at risk" brain tissue by increasing cerebral blood flow, establishing better collateral circulation, decreasing inflammation, reducing cell death, or apoptosis, and facilitating improved blood flow to at-risk ischemic penumbra brain tissue. We believe DM199 offers the potential for an improved recombinant product for worldwide use. We are developing DM199 to treat AIS patients with therapy beyond the current window of 3 to 4.5 hours for tPA to up to 24 hours after the first sign of symptoms, thereby filling a large unmet need of patients who cannot receive tPA under the currently available treatment window of tPA. We believe this could potentially make therapy available to the millions of patients worldwide who currently have limited options.

Chronic Kidney Disease

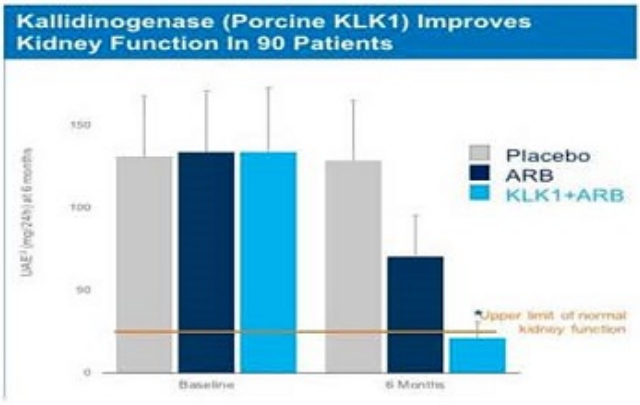
We also believe DM199 has the potential to offer therapeutic benefits for CKD patients. The KLK1 protein plays a vital role in normal kidney function, and BK and BK receptors are critical for kidney health and integrity. Patients with moderate to severe CKD often excrete abnormally low levels of KLK1 in their urine, leading to the hypothesis that this KLK1 deficit contributes to disease progression. We believe that DM199 may replenish endogenous KLK1 and activate the BK system that protects the kidney from damage. In fact, DM199 treatment in an animal model of Type 1 diabetes delayed the onset of the disease, attenuated the degree of insulitis (inflammation in the insulin producing islet cells of the pancreas) and improved pancreatic beta cell mass in a dose-dependent manner by increasing T-regs. By providing additional KLK1, DM199 has the following potentially beneficial actions:

- Improve blood flow to the kidney by restoring proper regulation of blood flow through veins arteries and especially capillaries (vasoregulation);
- Support the structural integrity of the kidney by reducing scar tissue formation (fibrosis), oxidative stress, and inflammation; and
- Activate mechanisms that upregulate T-regs, improve insulin sensitization, glucose uptake and glycogen synthesis, and lower blood pressure.

Further supporting the hypothesis that an intact KKS is critical for normal kidney function, a series of observational studies published in *Immunopharmacology* showed the amount of KLK1 released into the urine appears to be inversely correlated with the severity of disease in patients with CKD. Urinary KLK1 excretion was decreased in patients with both mild (not requiring dialysis) and severe (kidney failure/hemodialysis) renal disease compared to controls. The severity of the disease was negatively correlated with KLK1 excretion. Decreases in urinary KLK1 activity was seen especially when the reduction was associated with decreased glomerular filtration rate. We believe DM199 may potentially have advantages over ACEi because it restores already depleted KLK1 levels.

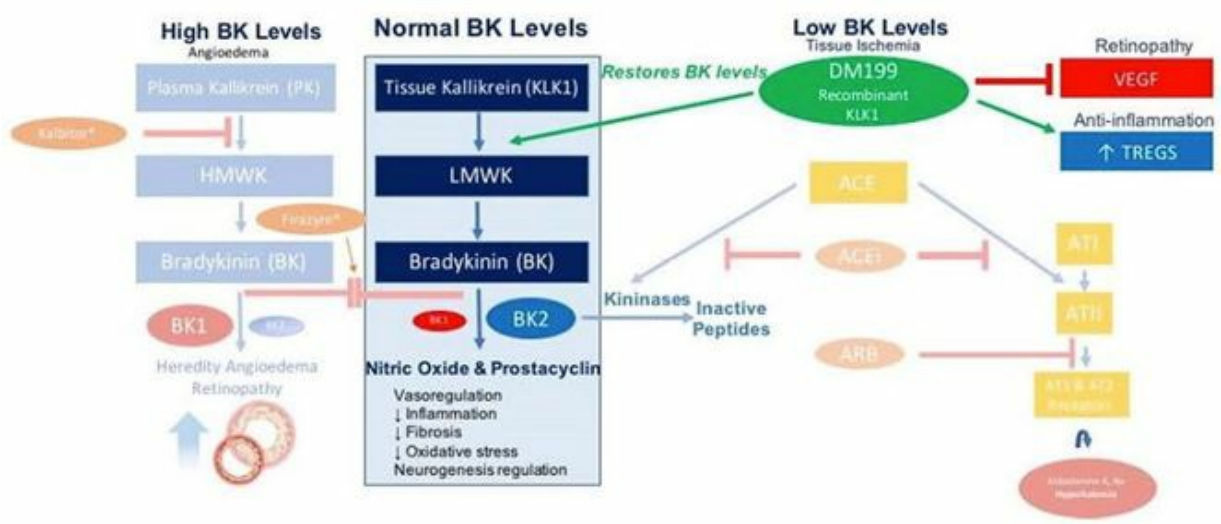
DM199 treatment is intended to directly replenish KLK1 levels, normalizing kidney function. Current treatment options, especially ACEi drugs, only partially restore kidney function and are associated with high-risk side effects. Importantly, it is becoming increasingly clear that part of the beneficial effect of ACEi drugs involves preventing the normal breakdown of BK leading to substantial increases in BK levels throughout the body. While higher BK levels benefit the kidney, ACEi drugs can generate excessive BK where is it not needed, potentially leading to side effects such as persistent cough, angioedema (swelling of skin and tissue) and hyperkalemia (abnormally high potassium levels that can lead to cardiac arrest and sudden death). We believe DM199 treatment could allow KLK1 to follow its normal physiological processes and release BK when and where it is needed, avoiding these side effects. Importantly, we believe successful treatment with ACEi in kidney disease requires a fully functional kallikrein kinin system, KLK1 and bradykinin systems, potentially making ACEi drugs less effective in patients with a pre-existing KLK1 deficit.

KLK1 derived from the pancreas of a pig, or porcine KLK1, is currently used to treat CKD in China and Japan. Porcine KLK1 is also used to treat hypertension and retinopathy in Japan, China and Korea. Based on IQVIA data and our estimates, we estimate millions of patients have been treated with porcine KLK1 for CKD, retinopathy and other vascular diseases in Asia. Over 20 clinical papers have been published in the Chinese literature supporting the therapeutic activity in CKD patients of porcine KLK1 given alone or in combination with an ARB or an ACEi. These unblinded studies involve treatment durations ranging from a few weeks up to six months and report improvement in kidney disease based on decreased urinary albumin excretion rates and other clinical endpoints of kidney disease.



There is a significant need for new and alternative treatment strategies for CKD and we believe that the combined results of these studies, which are consistent with our proposed mechanism of action for and preclinical studies of DM199, provide a good rationale for formal clinical development of DM199. We intend to seek approval for worldwide use of DM199 as a novel and ground-breaking therapy for CKD. We believe DM199 could potentially complement the use of ACEi or ARBs to improve kidney functions without increasing the risk for hyperkalemia, chronic cough, angioedema or other related side effects. Less than 30% of patients with CKD are believed to be on optimal dose of ACEi or ARB due to risk of hyperkalemia which can lead to cardiac arrest and sudden death. We believe DM199, through the activation of the BK system, may complement the renin-angiotensin system, primarily targeted by ACEi and ARBs. Activation of the BK system may improve the function of the diseased renal system by improving vasodilation and insulin sensitization, as well as blocking fibrosis, inflammation, thrombosis and oxidative stress. A significant potential advantage of DM199 over ACEi/ARB treatments is that hyperkalemia may be less likely with DM199. We anticipate that DM199 will boost KLK1 levels to release physiological levels of BK when and where needed, generating beneficial nitric oxide and prostacyclin while increasing regulatory T cells (T-regs or TREGS) to reduce inflammation. In addition, porcine KLK1 has demonstrated the ability to directly cleave vascular endothelial growth factor (VEGF) in the eyes to improve visual acuity in patients suffering from retinopathy and is currently marketed in Japan for this indication.

DM199 (Recombinant KLK1), ACEi, ARB and Plasma Kallikrein Proposed Mechanism of Actions



Other Potential Programs

We are also currently developing a diagnostic tool, DMDx, to measure KLK1 levels. Several published studies indicate KLK1 insufficiency is associated with multiple disease states including hypertension, CKD and AIS. Levels of endogenous KLK1 in both urine and plasma are inversely correlated with disease severity. Importantly, the decrease in urinary protein occurs in a disease state (e.g. CKD), where a primary hallmark is increased secretion of many other proteins. In this way, we believe KLK1 is a potentially unique diagnostic tool for such diseases.

We believe DM199 may also offer a potentially novel treatment for vascular dementia patients. Vascular dementia is caused by chronic impaired blood supply within the brain, often associated with TIA or prior stroke. According to the Alzheimer's Society, one third of all stroke survivors could develop dementia within five years. According to the US National Institute of Neurological Disorders and Stroke, there are over 6 million stroke survivors in the U.S. alone. In a clinical study, KLK1 isolated from human urine demonstrated the ability to improve cognitive function in vascular dementia patients and increase cerebral blood flow. We have drafted a protocol synopsis for a Phase 2 study in vascular dementia. Our decision to commence this study will be dependent upon our cash resources and efficacy data from our other DM199 studies.

Our Competition and Current Treatments for Acute Ischemic Stroke and Chronic Kidney Disease

The biopharmaceutical industry is highly competitive and characterized by rapidly advancing technologies that focus on rapid development of proprietary drugs. We believe that our product candidates, development capabilities, experience and scientific knowledge provide us with competitive advantages. However, we face significant potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, governmental agencies and other research institutions. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do, and experience in obtaining U.S. Food and Drug Administration ("FDA") and other regulatory approvals of treatments and commercializing those treatments. Accordingly, our competitors may be more successful than us in obtaining approval for competitive products and achieving widespread market acceptance. Our competitors' treatments may be more effectively marketed and sold than any products we may commercialize, thus limiting our market share and resulting in a longer period before we can recover the expenses of developing and commercializing our product candidates.

Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These activities may lead to consolidated efforts that allow for more rapid development of competitive product candidates.

We also compete for staff, development and clinical resources. These competitors may impair our ability to recruit or retain qualified scientific and management personnel, our ability to work with specific advisors, clinical contract organizations, due to conflicts of interest or capacity constraints, and may also delay recruitment of clinical study sites and study volunteers, impeding progress in our development programs.

We expect any products that we develop and commercialize to compete on the basis of, among other things, efficacy, safety, price and the availability of reimbursement from government or other third-party payors. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are viewed as safer, more effective or less expensive than any products that we may develop.

Acute Ischemic Stroke

Currently, there is one approved pharmaceutical treatment for acute ischemic stroke. That treatment is tPA (marketed under the brand name Activase®), and its therapeutic window is limited to 3 to 4.5-hours after the AIS. There are, however, a number of companies that are actively pursuing a variety of approaches to develop pharmaceutical products for the treatment of AIS including, among others:

- Stem cells (Athersys, Inc.)
- Cerebral edema (Biogen Inc.)
- Anti-inflammatory and clot dissolving (Biogen Inc.)
- Cell protection and anti-inflammation (ZZ Biotech LLC)
- Inhibits platelet aggregation (Acticor Biotech SAS)

We believe that there is a large unmet therapeutic need for AIS treatments that can be administered beyond the 3 to 4.5-hour time window of tPA. With this large unmet therapeutic need, there is significant competition to develop new therapeutic options. New therapeutic options in development include tissue protection focused therapies (deliverable from hours to days after the stroke) that preserve and protect brain cells beyond the tPA therapeutic window. Currently, the most advanced treatments involve the mechanical removal of blood clots in brain arteries through sophisticated catheter-based approaches. According to published research, use of mechanical thrombectomy is growing and the window of time after a stroke where the procedure can be used is widening. These therapies are especially targeted toward preserving viable cells in the ischemic penumbra hours after a stroke. 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. We believe there is a very significant market opportunity for a drug that has a therapeutic window beyond that of tPA and is able to obtain regulatory approval.

Chronic Kidney Disease

In the United States, we are aware of only one currently approved treatment for CKD. That treatment is an ACEi (marketed under the brand name Captopril®) which is approved for the treatment of patients with CKD caused by Type 1 diabetes. There are several pharmaceutical products for the treatment of CKD currently in clinical development, some of which include:

- Mineralcorticortisteroid receptor agonist (Bayer HealthCare Pharmaceuticals LLC)
- CCR2 receptor antagonists (ChemoCentryx, Inc., Bristol-Myers Squibb Company)
- Oxidative stress, cyclo-oxygenase 2 inhibitors (Reata Pharmaceuticals, Inc.)
- Glycosylation inhibitors (Glycadia, Inc. aka Glycadia Pharmaceuticals)
- Endothelin A receptor antagonists (AbbVie Inc.)
- Cyclin nucleotide phosphodiesterase inhibitor (Pfizer Inc.)
- Aldosterone receptor antagonists (Mitsubishi Tanabe Pharma Corporation)
- Nitric oxide enzyme inhibitor (GenKyoTex SA)
- Nitric oxide (Ironwood Pharmaceuticals, Inc.)

Current treatment strategies for CKD include the strict control of high blood pressure and high blood sugar. The ACEi drug Captopril is approved for use in patients with CKD due to Type 1 diabetes and both ACEi and ARBs are widely prescribed to slow the progression of CKD. However, according to the National Kidney Foundation, 3.6% of the U.S. population over their lifetime will develop ESRD requiring dialysis or kidney transplantation. Furthermore, the treatment with ACEi and ARBs has been linked to hyperkalemia (elevated blood potassium levels), which increases the risk for abnormal heart rhythms and sudden death. In fact, two clinical trials investigating the use of ACEi and ARB combination therapy in kidney disease were stopped prematurely because participants developed hyperkalemia, or an abnormally high level of potassium in the blood. The added complication of hyperkalemia results in patients receiving suboptimal dosing or patients being untreated because they cannot tolerate the treatment. Additional side effects with ACEi treatment are angioedema (swelling of skin tissue) and persistent cough.

DM199 treatment is intended to directly replenish KLK1 levels, normalizing kidney function. Current treatment options, especially ACEi drugs, only partially restore kidney function and the association with high-risk side effects. ACEi drugs can generate excessive BK where is it not needed, potentially leading to related side effects such as cough and angioedema (swelling of skin and tissue). We believe DM199 treatment would potentially allow KLK1 to follow its normal physiological processes and release BK when and where it is needed, avoiding these side effects. Importantly, successful treatment with ACEi in kidney disease requires a fully functional KLK1 system, potentially making ACEi drugs less effective in patients with a pre-existing KLK1 deficit.

DM199 Clinical Studies

We have completed five clinical trials with DM199 in over 120 volunteers, including multiple Phase 1 single dose ascending and multiple dose ascending studies in healthy volunteers and patients with Type 2 diabetes. Chronic dosing studies over 16 to 28 days were also conducted in healthy volunteers and patients with Type 2 diabetes (see Table 1 below). As is generally the case for early phase clinical trials, the primary endpoints for all studies were safety, tolerability, and pharmacokinetics. The Phase II (Part D) study also investigated a series of secondary endpoints that included blood glucose concentration, insulin levels, glucose tolerance testing and a variety of experimental biomarkers of evaluating the potential efficacy of DM199 in treating Type 2 diabetes patients.

Table 1 DM199 Trial Design Overview

Trial	Participants (N)	Design	Doses (µg/kg)	Route	Length
Phase-I Part A	Healthy (32)	Single ascending dose	5, 15, 30, 50	SC	1 week
Phase-I Part B	Type 2 diabetes (10)	Single ascending dose	0.3, 1.5, 15	SC	1 week
Phase-I Part C	Healthy (18)	Multiple ascending dose	3, 15, 25	SC	6 doses over 16 days
Phase-IIA Part D	Type 2 diabetes (36)	Blinded multiple dose	Placebo, 3, 15	SC	10 doses over 28 days
Phase I Bridging	Healthy (36)	Single ascending dose	0.25, 0.50. 0.75, 1.0 3.0	IV IV SC	1 week

In combination, these studies showed that DM199 was well-tolerated and demonstrated clear physiological activity. After subcutaneous ("SC") injection (under the skin), DM199 exhibited a favorable pharmacokinetic profile with extended half-life (i.e., the time required to reduce concentration of the drug in the body by one-half), supporting potential dosing intervals of up to one week. The dose-limiting tolerability issue in healthy volunteers was orthostatic hypotension (a condition in which blood pressure falls significantly when a person stands) observed largely at the 50 µg/kg dose level, a dose level much greater than those anticipated to be efficacious in patients. In each trial, observed treatment emergent side-effects were mild to moderate in severity and resolved completely. The most common treatment-emergent side effects included headache, dizziness, nausea and injection site pain, the majority of which were observed in the highest dose group of the Phase I-Part A trial.

Two of our clinical studies have focused on patients with Type 2 diabetes. The first study 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. The second study in patients with Type 2 diabetes enrolled 36 patients treated with one of two subcutaneous dose levels of DM199 or placebo over 28 days. This study achieved its primary endpoints and demonstrated that

DM199 was well-tolerated. The secondary endpoints for this study, however, were not met. The secondary efficacy endpoints were confounded due to what we believe were significant execution errors caused by protocol deviations occuring at the clinical trial site that were unable to be reconciled. See “Item 8. Legal Proceedings” for more information on this study.

In February 2018, we initiated treatment on the first patient in our Phase 2 REMEDY trial assessing the safety, tolerability and markers of therapeutic efficacy of DM199 in patients suffering from AIS. Our REMEDY trial is expected to enroll a minimum of 60 patients to evaluate DM199 in patients with AIS. The study drug (DM199 or placebo) will be administered as an intravenous ("IV") infusion within 24 hours of stroke symptom onset, followed by SC injections once every 3 days for 21 days. The study is designed to measure safety and tolerability along with multiple tests designed to investigate DM199's therapeutic potential including plasma-based biomarkers and standard functional stroke measures assessed at 90 days post-stroke. Standard functional stroke measurements include the Modified Rankin Scale, National Institutes of Health Stroke Scale, the Barthel Index and C-reactive protein, a measure of inflammation.

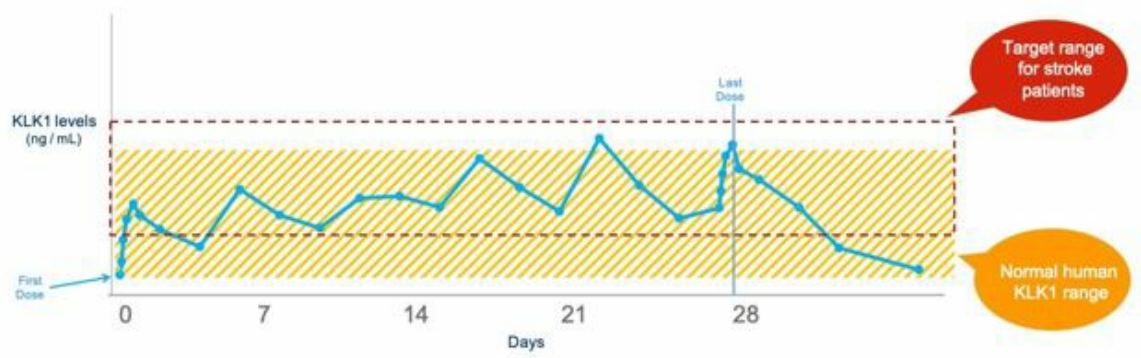
In March 2018, we had an in-person meeting with the Office of Drug Evaluation, Cardiovascular and Renal Division, of the FDA. The purpose of the meeting was to gain feedback and recommendations from the FDA on our planned clinical study of DM199 in patients with CKD. The study endpoints are expected to include:

- identifying dose(s) of DM199 that may normalize plasma concentrations of KLK1;
- demonstrating safety and tolerability; and
- evaluating standard measures of kidney function and treatment biomarkers.

Based on the FDA's guidance, we expect the study to include patients suffering from mild to moderate CKD (stage 3) due to Type 1 and Type 2 diabetes and will be designed to test multiple dosing strategies. Standard measures of safety, DM199 plasma levels and kidney function will be collected before, during and after DM199 treatment. We intend to file an IND application for this study in the fourth quarter of 2018. This study is intended to help identify the proper dosing strategy for future efficacy trials of DM199 for CKD.

In 2017, we completed and published in the *International Journal of Clinical Trials* the results from a Phase lb study with DM199 designed to assess the safety, tolerability, pharmacokinetics, and pharmacodynamics in healthy volunteers. Specifically, this study compared multiple doses levels of DM199, administered via IV and subcutaneous routes to identify a dose and delivery route that most closely compared to or improves upon the pharmacokinetic and pharmacodynamics profile of the approved urinary KLK1 in China. We found that a dose of DM199 administered via IV infusion mimicked the drug profile of IV-administered urinary derived KLK1 (Kailikang). We believe that this study also identified a dose of DM199, administered via subcutaneous injection, which had a superior pharmacokinetic profile and that maintained more normal KLK1 levels throughout day. Below are results from our clinical trial showing the pharmacokinetic profile of subcutaneously administered DM199 observed in study subjects as compared to what we believe is normal range in healthy subjects.

Pharmacokinetic (Drug Levels) in Subjects Dosed Every 3 Days



Potential DM199 Commercial Advantages

Several researchers have studied the structural and functional properties of KLK1. This deep body of knowledge has revealed the potential clinical benefits of KLK1 treatments. Today, forms of KLK1 derived from human urine and porcine pancreas are sold in Japan, China and Korea to treat acute ischemic stroke, chronic kidney disease, retinopathy, hypertension and related diseases. We are not aware of any synthetic version of KLK1 with regulatory approval for human use in any country, nor are we aware of any synthetic version in development besides our drug candidate DM199 (recombinant human KLK1). We believe at least five companies have attempted to create a synthetic version of KLK1.

The growing understanding of KLK1's role in human health and its use in Asia as an approved therapeutic highlight two important potential commercial advantages for DM199:

- **KLK1 treatment is sold in Japan, China and Korea**. Research has shown that patients with low levels of KLK1 are associated with a variety of diseases related to vascular dysfunction, such as chronic kidney disease, acute ischemic strokes, retinopathy and hypertension. Clinical trial data with human urine and porcine KLK1 has demonstrated statistically significant clinical benefits of treating a variety of patients with KLK1 compared to placebo. These efficacy results are further substantiated by established markets in Japan, China and Korea for pharmaceutical sales of KLK1 derived from human urine and porcine pancreas.

- **KLK1 treatment has had limited side effects and has been well tolerated in studies to date**. KLK1 is naturally produced by the human body; and therefore, the body's own control mechanisms act to limit potential side effects. The only notable side effect observed in our clinical trials was orthostatic hypotension, or sudden drop in blood pressure, which was only seen at doses significantly higher than our anticipated therapeutic dose levels. Routine clinical use of KLK1 treatment in Asia has been well-tolerated by patients. In 2017, we completed a clinical trial comparing the pharmacokinetic profile of DM199 to Kailikang for acute ischemic stroke, which showed DM199, when administered in intravenous form, to have a profile similar to Kailikang. Further, when DM199 was administered subcutaneously, DM199 demonstrated a superior, longer acting, pharmacokinetic profile to Kailikang.

We have conducted numerous internal and third-party analyses to demonstrate that DM199 is structurally and functionally equivalent to KLK1 derived from human urine. The amino acid structure of DM199 is identical to the human urine form, and the enzymatic and pharmacokinetic profiles are substantially similar to both human urinary and porcine derived KLK1. The physiological effects of DM199 on blood pressure, from our completed studies, mirror that of human urinary and porcine-derived forms of KLK1. We believe that the results of this work suggest that the therapeutic action of DM199 will be the same or better than that of the forms marketed in Asia. In addition, there are also significant formulation, manufacturing, regulatory and other advantages for our synthetic human KLK1 drug candidate DM199:

- **Potency and Impurity Considerations**. KLK1 derived from human urine or porcine pancreas may contain impurities, endotoxins, and chemical byproducts due to the inherent variability of the isolation and purification process. We believe that this creates the risk of inconsistencies in potency and impurities from one production run to the next. However, we expect to produce a consistent formulation of KLK1 that is free of endotoxins and other impurities, which we believe will provide therapeutic benefits.

- **Cost and Scalability**. Large quantities of human urine and porcine pancreas must be obtained to derive a small amount of KLK1. This creates potential procurement, cost and logistical challenges to source the necessary raw organic material, particularly for human urine sourced KLK1. Once sourced, the raw organic material is processed using chemicals and costly capital equipment and produces a significant amount of byproduct waste. Our novel recombinant manufacturing process utilizes widely available raw materials and can be readily scaled for commercial production. Accordingly, we believe our manufacturing process has significant cost and scalability advantages.

- **Regulatory**. We are not aware of any attempts by manufacturers of the urine or porcine based KLK1 products to pursue regulatory approvals in the United States. We believe that this is related to challenges presented by using inconsistent and potentially hazardous biomaterials, such as human urine and porcine pancreas, and their resulting ability to produce a consistent drug product. Our novel recombinant manufacturing process utilizes widely available raw materials which we believe provides a significant regulatory advantage, particularly in regions such as the United States, Europe and Canada, where safety standards are high. In addition, we believe that DM199 could qualify for 12 years of data exclusivity under the Biologics Price Competition and Innovation Act of 2009, which was enacted as part of the Patient Protection and Affordable Care Act (the "ACA").

Regulatory Approval

Securing regulatory approval for the manufacture and sale of human therapeutic products in the United States, 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 the United States is the FDA, in Europe it is the European Medicines Agency ("EMA"), and in Canada it is Health Canada. Other national regulatory agencies have similar regulatory approval processes, but each national regulatory agency has its own approval processes. Approval in the United States, Europe or Canada 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 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, governmental 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 product candidates have been completely developed or tested; and, therefore, we are not yet in a position to seek regulatory approval in any territory to market any of our product candidates.

The clinical testing, manufacturing, labeling, storage, distribution, record keeping, advertising, promotion, import, export, and marketing, among other things, of our product candidates are subject to extensive regulation by governmental authorities in the United States and other countries. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local, and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval may subject us to a variety of administrative or judicial sanctions, including refusal by the applicable regulatory authority to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters and other types of letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement of profits, or civil or criminal investigations and penalties brought by the FDA and the Department of Justice or other governmental entities.

U.S. Approval Process

In the United States, 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; and only those that meet strict requirements are approved.

The U.S. 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 United States 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 and/or bench 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 the information in the IND 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 I Clinical Studies. Phase I clinical studies are generally conducted with healthy volunteers who are not taking other medicines; patients with the illness that the drug is intended to treat are not tested at this stage. Ultimately, Phase I studies demonstrate how an experimental drug affects the body of a healthy individual. Phase I 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 I. This information will determine whether the drug proceeds to Phase II.

Phase II Clinical Studies. Phase II clinical studies are conducted in order to determine how an experimental drug affects people who have the disease to be treated. Phase II 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 II 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 II studies will determine whether the drug proceeds to Phase III.

Phase III Clinical Studies. Phase III 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 II 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 Ill 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 III studies more closely reflect the general population. The information from Phase III forms the basis for most of the drug's initial labeling, which will guide physicians on how to use the drug.

Phase IV Clinical Studies. Phase IV clinical studies are conducted after a drug is approved. Companies often conduct Phase IV 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 IV studies often investigate the drug in specific types of patients that may not have been included in the Phase III studies and can involve very large numbers of patients to further assess the drug's safety.

Stage 3: FDA Review for Approval. Following Phase III, 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.

Any pharmaceutical products for which FDA approvals are obtained are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, promoting pharmaceutical products for uses or in patient populations that are not described in the pharmaceutical product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities and promotional activities involving the internet. Failure to comply with FDA requirements can have negative consequences, including adverse publicity, enforcement letters from the FDA, mandated corrective advertising or communications with doctors, and civil or criminal penalties.

The FDA also may require post-marketing testing, known as Phase IV testing, risk evaluation and mitigation strategies and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product.

We believe that DM199 could qualify for 12 years of data exclusivity under the Biologics Price Competition and Innovation Act of 2009 ("BPCIA"), which was enacted as part of the Patient Protection and Affordable Care Act. Under the BPCIA, an application for a biosimilar product ("BLA") cannot be submitted to the FDA until four years, or if approved by the FDA, until 12 years, after the original brand product identified as the reference product is approved under a BLA. The BPCIA provides an abbreviated pathway for the approval of biosimilar and interchangeable biological products. The new abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on its similarity to an existing brand product. The new law is complex and is only beginning to be interpreted and implemented by the FDA.

European Approval Process

The EMA is roughly parallel to the U.S. FDA in terms of the drug approval process and the strict requirements for approval. 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 I, II, and III. There are some differences between the FDA and EMA review process, 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.

Other Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services and other divisions of the U.S. government, including, the Department of Health and Human Services, the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, if a drug product is reimbursed by Medicare, Medicaid, or other federal or state healthcare programs, our company, including our sales, marketing and scientific/educational grant programs, must comply with the federal False Claims Act, as amended, the federal Anti-Kickback Statute, as amended, and similar state laws. If a drug product is reimbursed by Medicare or Medicaid, pricing and rebate programs must comply with, as applicable, the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 ("OBRA"), and the Medicare Prescription Drug Improvement and Modernization Act of 2003. Among other things, OBRA requires drug manufacturers to pay rebates on prescription drugs to state Medicaid programs and empowers states to negotiate rebates on pharmaceutical prices, which may result in prices for our future products that will likely be lower than the prices we might otherwise obtain. Additionally, the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, "PPACA"), substantially changes the way healthcare is financed by both governmental and private insurers. There may continue to be additional proposals relating to the reform of the U.S. healthcare system, in the future, some of which could further limit coverage and reimbursement of drug products. If drug products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements may apply.

Pharmaceutical Coverage, Pricing and Reimbursement

In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of coverage and adequate reimbursement from third-party payers, including government health administrative authorities, managed care providers, private health insurers and other organizations. In the United States, private health insurers and other third-party payers often provide reimbursement for products and services based on the level at which the government (through the Medicare or Medicaid programs) provides reimbursement for such treatments. Third-party payers are increasingly examining the medical necessity and cost-effectiveness of medical products and services in addition to their safety and efficacy; and, accordingly, significant uncertainty exists as to the coverage and reimbursement status of newly approved therapeutics. In particular, in the United States, the European Union and other potentially significant markets for our product candidates, government authorities and third-party payers are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which has resulted in lower average selling prices. Further, the increased emphasis on managed healthcare in the United States and on country and regional pricing and reimbursement controls in the European Union will put additional pressure on product pricing, reimbursement and usage, which may adversely affect our future product sales and results of operations. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical reimbursement policies and pricing in general. As a result, coverage and adequate third party reimbursement may not be available for our products to enable us to realize an appropriate return on our investment in research and product development.

The market for our product candidates for which we may receive regulatory approval will depend significantly on access to third-party payers' drug formularies or lists of medications for which third-party payers provide coverage and reimbursement. The industry competition to be included in such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payers may refuse to include a particular branded drug in their formularies or may otherwise restrict patient access to a branded drug when a less costly generic equivalent or another alternative is available. In addition, because each third-party payer individually approves coverage and reimbursement levels, obtaining coverage and adequate reimbursement is a time-consuming and costly process. We would be required to provide scientific and clinical support for the use of any product candidate to each third-party payer separately with no assurance that approval would be obtained, and we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our product candidates. This process could delay the market acceptance of any of our product candidates for which we may receive approval and could have a negative effect on our future revenues and operating results. We cannot be certain that our product candidates will be considered cost-effective. If we are unable to obtain coverage and adequate payment levels for our product candidates from third-party payers, physicians may limit how much or under what circumstances they will prescribe or administer them and patients may decline to purchase them. This in turn could affect our ability to successfully commercialize our products and impact our profitability, results of operations, financial condition, and future success.

Research and Development

We have devoted substantially all of our efforts to research and development ("R&D"), which therefore comprises the largest component of our operating costs. Our primary focus over the past approximately eight years has been our lead product candidate, DM199, which is currently in clinical development for AIS and is expected to commence clinical development for CKD in late 2018 or first half of 2019.

We expect our R&D expenses will continue to increase in the future as we advance our initial product candidate through clinical trials in AIS and CKD and seek to expand our product candidate portfolio. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming and we consider the active management and development of our clinical pipeline to be integral to our long-term success. The actual probability of success for each product candidate, clinical indication and preclinical program may be affected by a variety of factors including, among other things, the safety and efficacy data for product candidates, amounts invested in the program, competition and competitive developments, manufacturing capability and commercial viability.

Research and development expenses include:

- expenses incurred under contract research agreements and other agreements with third parties;
- expenses incurred under agreements with clinical trial sites that conduct research and development activities on our behalf;
- employee and consultant-related expenses, which include salaries, benefits, travel and share-based compensation;
- laboratory and vendor expenses related to the execution of clinical trials and non-clinical studies;
- the cost of acquiring, developing, manufacturing, and distributing clinical trial materials; and
- facilities and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance, and other supply costs.

Research and development costs are expensed as incurred. Costs for certain development activities such as clinical trials are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and our clinical sites.

We expect that it will be several years, if ever, before we have any product candidates ready for commercialization. Our research and development expenses totaled $3.2 million and $1.7 million in 2017 and 2016, respectively.

Manufacturing

We do not own or operate manufacturing facilities for the production of our product candidates nor do we have plans to develop our own manufacturing operations in the foreseeable future. We currently depend on third-party contract manufacturers for all of our required raw materials, active pharmaceutical ingredients and finished drug product for our clinical trials. We do not have any current contractual arrangements for the manufacture of commercial supplies of any product candidates. We currently employ internal resources and third-party consultants to manage our manufacturing contractors.

Sales and Marketing

We have not yet defined our sales, marketing or product distribution strategy for our initial product candidate, or any future product candidates, because it is still early in the clinical development stage. We currently expect to partner with a large pharmaceutical company for sales execution. However, our future commercial strategy may include the use of distributors, a contract sales force or the establishment of our own commercial and specialty sales force, as well as similar strategies for regions and territories outside the United States.

Intellectual Property

We view patents and other means of intellectual property protection including trade secrets as an important component of our core business. We focus on translating our innovations into intangible property protecting our proprietary technology from infringement by competitors. To that end, patents are reviewed frequently and continue to be sought in relation to those components or concepts of our preclinical and clinical products to provide protection. Our strategy, where possible, is to file patent applications to protect our product candidates, as well as methods of manufacturing, administering and using a product candidate. Prior art searches of both patent and scientific databases are performed to evaluate novelty, inventiveness and freedom-to-operate. We require all employees, consultants, and parties to sign a collaborative research agreement and to execute confidentiality agreements upon the commencement of employment, consulting relationships, or a collaboration with us. These agreements require that all confidential information developed or made known during the course of the engagement with us is to be kept confidential. We also maintain agreements with our scientific staff and all parties contracted in a scientific capacity affirming that all inventions resulting from work performed for us, using our property, or relating to our business and conceived or completed during the period covered by the agreement are the exclusive property of our company.

Our patent portfolio includes patents and 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 DM199 patents protect composition of matter including glycoforms, formulations, methods of administration and a variety of therapeutic approaches pertaining to current and future indications. All intellectual property associated with development, manufacturing and testing of DM199 in disease models is owned by us. We currently have additional patent applications for DM199. Additionally, for the 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.

We do not own or operate manufacturing facilities for the production of clinical or commercial quantities of DM199. We will rely on Catalent Pharma Solutions, LLC ("Catalent") for the manufacture of DM199. We have licensed certain gene expression technology and we contract with Catalent for the manufacture of DM199. Under the terms of this license, certain milestone and royalty payments may become due and are dependent upon, among other factors, performing clinical trials, obtaining regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain. The royalty term is indefinite but may be canceled by us on 90 days' prior written notice. The license may not be terminated by Catalent unless we fail to make required milestone and royalty payments.

Our DM199 patent portfolio includes granted U.S. and worldwide patents as well as one U.S. and worldwide pending application. Granted and pending claims offer various forms of protection for DM199 including claims to compositions of matter, pharmaceutical compositions, specific formulations and dosing levels, and methods for treating a variety of diseases, including stroke, chronic kidney disease, and related disorders. These U.S. patents and applications, and their foreign equivalents, are described in more detail below.

Issued patents held by us cover the DM199 composition of matter based on an optimized combination of closely-related isoforms that differ in the extent of glycosylation (process by which sugars are chemically attached to proteins). This patent family covers the most pharmacologically active variants of DM199 as wells as the vectors and reagents used to manufacture DM199 at scale and is due to expire in 2033. A second issued U.S. patent covers all standard formulations and delivery methods including injectable, oral and other novel technologies. A pending U.S. and worldwide patent covers a range of dose levels and dosing regimens of DM199 useful for treating a wide range of diseases associated with microvascular dysfunction (e.g. pulmonary hypertension, endothelial dysfunction, cardiovascular disease, chronic kidney disease, metabolic disorder including diabetes, obesity, stroke, and vascular dementia).

Methods and reagents required for commercial scale manufacture of DM199 are subject to a series of patents issued to our manufacturing partner. As noted above, we exclusively license these patents from our manufacturing partner for the production of DM199 or any human KLK1 protein. The large-scale manufacturing of KLK1 has been attempted by multiple pharmaceutical and commercial entities without success and we believe that our proprietary technology along with trade secrets will provide substantial protection from third-party competitors. We believe DM199 cannot be reversed engineered for a copycat version to be made. In addition, DiaMedica has specialty knowledge of the manufacturing process.

We believe that the most relevant granted U.S. patents with composition of matter or method of use claims covering DM199 are listed below, along with their projected expiration dates exclusive of any patent term extension.

Patent Number	Title	Geography	Type	Expiration
Issued patents				
US 9,364,521	Human Tissue Kallikrein 1 Glycosylation Isoforms	US/Europe	Composition of matter	2033
US 9,616,015	Formulations for Human Tissue Kallikrein-1 for Parenteral Delivery and Related Methods	US	Method of use	2033
Pending applications				
PCT/US2018/021749	Dosage Forms of Tissue Kallikrein 1	US/Worldwide	Method of use	2037

License Agreement

In September 2018, we entered into a license and collaboration agreement with Ahon Pharmaceutical Co Ltd, ("Ahon Pharma"), a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. ("Fosun Pharma"), which grants Ahon Pharma exclusive rights to develop and commercialize DM199 for acute ischemic stroke in mainland China, Taiwan, Hong Kong S.A.R. and Macau S.A.R. Under the terms of the agreement, we are entitled to receive an upfront payment of $5.0 million, consisting of $500,000 on signing, and $4.5 million upon regulatory clearance to initiate a clinical trial in China. We also have the potential to receive up to an additional $27.5 million in development and sales related milestones and high single and low double-digit royalties on net sales of DM199 in the licensed territories. All development, regulatory, sales, marketing, and commercial activities and associated costs in the licensed territories will be the sole responsibility of Ahon Pharma. Fosun Pharma, through its partnership with SK Group, a South Korea based company, is an investor in DiaMedica through its equity investment in 2016.

Employees

As of October 15, 2018, we had 11 full-time employees. We have never had a work stoppage and none of our employees are covered by collective bargaining agreements. We believe our employee relations are good.

Implications of Being an Emerging Growth Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and, for so long as we are an emerging growth company, are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These include, but are not limited to:

- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We have determined to opt out of the exemption from compliance with new or revised financial accounting standards. Our decision to opt out of this exemption is irrevocable. We have elected to adopt the reduced disclosure requirements available to emerging growth companies. As a result of these elections, the information that we provide in this registration statement may be different than the information you may receive from other public companies in which you hold equity interests.

We may remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of our first sale of common shares pursuant to a registration statement under the Securities Act or until such earlier time as we have more than $1.07 billion in annual revenue, the market value of our common shares held by non-affiliates is more than $700 million or we issue more than $1 billion of non-convertible debt over a three-year period.

Enforceability of Civil Liabilities Against Foreign Persons

We are organized under and governed by the federal laws of Canada, and, accordingly, are governed by the applicable laws of Canada. There is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon the U.S. federal securities laws or the securities laws or "blue sky" laws of any state within the United States and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of the U.S. federal securities laws or any such state securities laws or blue sky laws. Accordingly, it may not be possible to enforce judgments obtained in the United States against us.

Corporate Information

We are a corporation organized under CBCA. Our company was initially incorporated under the name Diabex Inc. pursuant to The Corporations Act (Manitoba) by articles of incorporation dated January 21, 2000. Our articles were amended (i) on February 26, 2001 to change our corporate name to DiaMedica Inc., (ii) on April 11, 2016 to continue the Company from The Corporations Act (Manitoba) to the CBCA, (iii) on December 28, 2016 to change our corporate name to DiaMedica Therapeutics Inc. and (iv) on September 24, 2018 to permit us to hold shareholder meetings in the U.S. and to permit our directors, between annual meetings of our shareholders, to appoint one or more additional directors to serve until the next annual meeting of shareholders; provided, however, that the number of additional directors shall not at any time exceed one-third (1/3) of the number of directors who held office at the expiration of the last meeting of shareholders.

Our registered office is located at 301-1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3 and our principal executive office is located at our wholly owned subsidiary, DiaMedica USA Inc., located at 2 Carlson Parkway, Suite 260, Minneapolis, Minnesota, USA 55447. Our telephone number is 763-496-5454. Our internet website address is http://www.diamedica.com. Information contained on our website does not constitute part of this registration statement.

ITEM 1A. RISK FACTORS

An investment in our common shares involves a high degree of risk and should be considered 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 registration statement. 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 adversely affect our business. If any of the following risks occur, our business, financial condition, and results of operations could be seriously harmed 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 Related to Our Financial Position and Need for Additional Capital

We have incurred substantial losses since our inception and expect to incur future losses and may never become profitable.

We are a clinical stage biopharmaceutical company focused on the development of novel recombinant proteins. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a product candidate will fail to prove effective, gain regulatory approval or become commercially viable. We do not have any products approved by regulatory authorities and have not generated any revenues from collaboration and licensing agreements or product sales to date, and have incurred significant research, development and other expenses related to our ongoing operations and expect to continue to incur such expenses. As a result, we have not been profitable and have incurred significant operating losses in every reporting period since our inception. For the six months ended June 30, 2018, we incurred a net loss of $2.4 million and for the years ended December 31, 2017 and 2016, we incurred a net loss of $4.3 million and $2.2 million, respectively. As of June 30, 2018, we had an accumulated deficit of $42.6 million. Our operating losses are expected to increase in the near term as we continue our product development efforts and are expected to continue until such time as any future product sales, royalty payments, licensing fees, and/or milestone payments are sufficient to generate revenues to fund our continuing operations. In addition, we expect to our operating expenses to increase compared to last year as a result of our U.S. public reporting company status. 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.

We currently have no product revenue and will not be able to maintain our operations and research and development activities without additional funding.

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 product candidate, DM199, or any future product candidates 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 R&D activities and to successfully commercialize our product candidates.

We will require additional funds to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our current product candidate or develop new product candidates.

We require significant additional funds for further R&D activities, planned clinical trials and the regulatory approval process. We may raise additional funds for these purposes through public or private equity or debt financing, or through collaborations with other biotechnology companies, or financing from other sources may be undertaken. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted. Debt financing, if available, may involve agreements that include conversion discounts or covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third-party funding, marketing and distribution arrangements or other collaborations, or strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. 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 product candidates; 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 implement cost reduction strategies; delay, reduce, or eliminate one or more of our product development programs; relinquish significant rights to product candidates or obtain funds on less favorable terms than we would otherwise accept; and/or divest assets through a merger, sale, or liquidation of our company.

There is substantial doubt about our ability to continue as a going concern.

The report of our independent registered public accounting firm on our December 31, 2017 audited consolidated financial statements includes an explanatory paragraph referring to our ability to continue as a going concern. As of December 31, 2017 and June 30, 2018, we had cash balances of approximately $1.4 million and $5.7 million, respectively. In addition, we had outstanding accounts payable and accrued liabilities of $919,000 and $1.1 million as of December 31, 2017 and June 30, 2018, respectively. On March 29, 2018, we completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to March 19, 2020 and March 29, 2020 for the first and second tranches, respectively, subject to earlier expiration under certain conditions. Additional funding will be required to continue our R&D and other operating activities as we have not reached successful commercialization of our product candidates. These circumstances cast significant doubt as to our ability to continue as a going concern.

We are exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates.

We may be adversely affected by foreign currency fluctuations. To date, we have been primarily funded through issuances of equity and proceeds from the exercise of warrants and stock options, which are denominated both in Canadian and U.S. dollars. Currently, the majority of our expenditures are in U.S. dollars, however, significant costs are also incurred in Canadian dollars, British pounds, and Australian dollars; 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 our Business and our Industry

We are an early stage company with no approved products and no revenue from commercialization of our products.

We are at an early stage of development of our product candidate, DM199, for the treatment of AIS and CKD. We have not completed the development of any product candidate and, accordingly, have not begun to commercialize any product candidate or generate any product revenues from any product candidate. DM199 requires significant additional clinical testing and investment prior to seeking marketing approval. A commitment of substantial resources by ourselves and potential partners to continue to conduct clinical trials for DM199 will be required to meet applicable regulatory standards, obtain required regulatory approvals, and to successfully commercialize this product candidate. DM199 is not expected to be commercially available for several years, if at all.

Our prospects depend on the success of our product candidate, DM199, which is at an early stage of development, and we may not generate revenue for several years, if at all, from this product candidate or any future product candidates.

We are highly dependent on the success of DM199 and we may not be able to successfully obtain regulatory or marketing approval for, or successfully commercialize, this product candidate. To date, we have expended significant time, resources and effort on the development of DM199, including conducting preclinical and clinical trials, for the treatment of acute ischemic stroke and chronic kidney disease. Although we intend to study the use of DM199 to treat multiple diseases, we have no other product candidates in our current clinical development pipeline. Our ability to generate product revenues and to achieve commercial success in the near term will initially depend almost entirely on our ability to successfully develop, obtain regulatory approval for and then successfully commercialize DM199. Prior to commercialization of any potential product, significant additional investments will be necessary to complete the development of DM199 or any future product candidates. Preclinical and clinical trial work must be completed before DM199 or any future product candidate could be ready for use within the markets 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 diagnose and treat the disease indications we are pursuing, thus reducing our competitive advantages. We do not know whether any of our 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 product candidate we are currently developing is not expected to be commercially viable for several years. In addition, our product candidate 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. If regulatory authorities do not approve our product candidate or any future product candidates or if we fail to maintain regulatory compliance, we would have limited ability to commercialize our product candidate or any future product candidates, and our business and results of operations would be harmed. If we do succeed in developing viable products from our product candidates, we will face many potential obstacles such as the need to develop or obtain manufacturing, marketing, and distribution capabilities.

We rely and will continue to rely on third parties to plan, conduct, and monitor our preclinical and clinical trials, and their failure to perform as required could cause substantial harm to our business.

We rely and will continue to rely on third parties to conduct a significant portion of our preclinical and clinical development activities. Preclinical activities include *in vivo* studies providing access to specific disease models, pharmacology and toxicology studies, and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring, and project management. If there is any dispute or disruption in our relationship with third parties, or if they are unable to provide quality services in a timely manner and at a feasible cost, our active development programs may face delays. Further, if any of these third parties fails to perform as we expect or if their work fails to meet regulatory requirements, our testing could be delayed, cancelled, or rendered ineffective.

We rely on contract manufacturers over whom we have limited control. If we are subject to quality, cost, or delivery issues with the preclinical and clinical grade materials supplied by contract manufacturers, our business operations could suffer significant harm.

We rely on CMOs to manufacture our product candidate, DM199, for our preclinical studies and clinical trials. We rely on CMOs for manufacturing, filling, packaging, storing, and shipping of drug product in compliance with current GMP regulations applicable to our product candidate. The FDA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with GMP regulations. The GMP regulations for drugs contain minimum requirements for the methods, facilities, and controls used in manufacturing, processing, and packing of a drug product.

There can be no assurances that CMOs will be able to meet our timetable and requirements. If we are unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, we may be delayed in the development of DM199 and any future product candidates. Further, contract manufacturers must operate in compliance with GMP regulations and failure to do so could result in, among other things, the disruption of product supplies. Our dependence upon third parties for the manufacture of our product candidates may adversely affect our ability to develop our product candidates on a timely and competitive basis and, if we are able to commercialize our product candidates, may adversely affect our profit margins.

If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we would incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct preclinical studies in animals and extensive clinical trials in humans to demonstrate the safety and efficacy of our product candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete, and has uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. We do not know whether the clinical trials we may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of our product candidates in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk we face is the possibility that neither our current or future product candidates will successfully gain market approval from the FDA or other regulatory authorities, resulting in us being unable to derive any commercial revenue from them after investing significant amounts of capital in multiple stages of preclinical and clinical testing.

If we experience delays in clinical testing, we will be delayed in commercializing our product candidates, and our business may be substantially harmed.

We cannot predict whether any clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. Our product development costs will increase if we experience delays in clinical testing. Significant clinical trial delays could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before us, which would impair our ability to successfully commercialize our product candidates and may harm our financial condition, results of operations and prospects. The commencement and completion of clinical trials for our product candidates may be delayed for a number of reasons, including delays related, but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing the clinical trial on hold;
- patients failing to enroll or remain in our trials at the rate we expect;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of our contract manufacturers to comply with GMP requirements;
- any changes to our manufacturing process that may be necessary or desired;
- delays or failure to obtain clinical supply from contract manufacturers of our product candidates necessary to conduct clinical trials;
- product candidates demonstrating a lack of safety or efficacy during clinical trials;
- patients choosing an alternative treatment for the indications for which we are developing any of our product candidates or participating in competing clinical trials;
- patients failing to complete clinical trials due to dissatisfaction with the treatment, side effects, or other reasons;
- reports of clinical testing on similar technologies and products raising safety and/or efficacy concerns;
- competing clinical trials and scheduling conflicts with participating clinicians;
- clinical investigators not performing our clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- failure of our contract research organizations ("CROs") to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical trial sites by regulatory authorities, Institutional Review Boards ("IRBs") or ethics committees finding regulatory violations that require us to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;
- one or more IRBs or ethics committees rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial; or
- failure to reach agreement on acceptable terms with prospective clinical trial sites.

Our product development costs will increase if we experience delays in testing or approval or if we need to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur, and we may need to amend study protocols to reflect these changes. Amendments may require us to resubmit our study protocols to regulatory authorities or IRBs or ethics committees for re-examination, which may impact the cost, timing or successful completion of that trial. Delays or increased product development costs may have a material adverse effect on our business, financial condition, and prospects.

Even if we complete the necessary preclinical studies and clinical trials, the regulatory approval process is expensive, time-consuming and uncertain and may prevent us or any future collaborators from obtaining approvals for the commercialization of some or all of our product candidates. As a result, we cannot predict when or if, and in which territories, we, or any future collaborators, will obtain marketing approval to commercialize a product candidate.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive and may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved.

Our current product candidate and the activities associated with its development and commercialization, including design, research, testing, manufacture, safety, efficacy, quality control, recordkeeping, labeling, packaging, storage, approval, advertising, promotion, sale, distribution, import, export, and reporting of safety and other post-market information, are subject to comprehensive regulation by the FDA, the EMA and other foreign regulatory agencies. Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We have only limited experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third-parties to assist us in this process. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA, the EMA or other regulatory authorities may determine that our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. As a result, any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

In addition, changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate.

We are in litigation with Pharmaceutical Research Associates Group B.V. ("PRA"), a contract research organization, seeking to compel them to comply with the terms of a clinical trial research agreement and their failure to perform as required could adversely affect our ability to obtain regulatory approval for DM199.

In March 2013, we entered into a clinical research agreement with PRA to perform a double-blinded, placebo-controlled, single-dose and multiple-dose study to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and proof of concept of DM199 in healthy subjects and in patients with Type 2 diabetes mellitus. In one arm of this study, we enrolled 36 patients with Type 2 diabetes who were treated with two SC dose levels of DM199 over a 28-day period. This study achieved its primary endpoint and demonstrated that DM199 was well tolerated. The secondary endpoints for this study, however, were not met. We are aware there were significant execution errors in Part D of the study that were caused by protocol deviations occurring at the clinical trial site that were unable to be reconciled. We believe these included dosing errors and sample mix-ups. These errors undermined our ability to interpret the secondary endpoints. To date, we have been unable to obtain the complete study records from PRA for the arm of the study which included 36 patients with Type 2 diabetes and was intended to measure primary endpoints (safety, tolerability) and secondary endpoints (blood glucose concentration, insulin levels, glucose tolerance test and a variety of experimental biomarkers). Without these records and given our inability to reconcile the protocol deviations, we have been unable to generate a final study report. Due in part to these confounded secondary endpoints, we are not currently continuing the clinical study of DM199 for Type 2 diabetes. We believe that the consistently positive safety and tolerability demonstrated in our studies to date will allow us to pursue approval for the clinical study of DM199 in the treatment of CKD patients in the United States; however, the lack of a final study report may delay or prevent our ability to obtain the acceptance of an IND, which would delay or prevent us from conducting clinical development or obtaining approval in the United States. We have initiated litigation with PRA to compel them to comply with the terms of the clinical research agreement, including providing full study records, and to recover damages. Litigation distracts the attention of our management from our business, is expensive and the outcome is uncertain.

We may not be able to obtain FDA acceptance of INDs to commence clinical trials in the United States on the timelines we expect, and even if we are able to, the FDA may not permit us to proceed in a timely manner, or at all.

Prior to commencing clinical trials in the United States for our current or any future product candidates, we will likely be required to have an accepted IND for each product candidate and for each targeted indication. We have not yet filed an IND to initiate a clinical trial for DM199 in the United States. However, submission of an IND may not result in the FDA allowing further clinical trials to begin and, once begun, issues may arise that will require us to suspend or terminate such clinical trials. Additionally, even if relevant regulatory authorities agree with the design and implementation of the clinical trials set forth in an IND, these regulatory authorities may change their requirements in the future. Failure to submit or have effective INDs and commence clinical programs will significantly limit our opportunity to generate revenue.

If we have difficulty enrolling patients in clinical trials, the completion of the trials may be delayed or not completed at all.

As DM199 and any future product candidates advance from preclinical testing to clinical testing, and then through progressively larger and more complex clinical trials, we will need to enroll an increasing number of patients that meet our eligibility criteria. There is significant competition for recruiting patients in clinical trials, and we may be unable to enroll the patients we need to complete clinical trials on a timely basis or at all. The factors that affect our ability to enroll patients are largely uncontrollable and include, but are not limited to, the following:

- size and nature of the patient population;
- eligibility and exclusion criteria for the trial;
- design of the study protocol;
- competition with other companies for clinical sites or patients;
- the perceived risks and benefits of the product candidate under study;
- the patient referral practices of physicians; and
- the number, availability, location, and accessibility of clinical trial sites.

We may not be able to reproduce the results of previously conducted clinical studies and/or comparisons to other forms of KLK1, including Kailikang, thereby displacing other forms of KLK1, including Kailikang.

While there have been numerous studies demonstrating the efficacy of Kailikang, we rely on the scientific and clinical knowledge and experience of other biotechnology and pharmaceutical companies and organizations in conducting those clinical studies. No assurance can be given that in our clinical trials involving DM199 we will be able to reproduce results of previously conducted studies or displace other forms of KLK1 in the market.

Negative results from clinical trials or studies of others and adverse safety events involving the targets of our product candidates may have an adverse impact on our future commercialization efforts.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors, or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to our product candidates, or the therapeutic areas in which our product candidates compete, could adversely affect our share price and our ability to finance future development of our product candidates, and our business and financial results could be materially and adversely affected.

We may be required to suspend, repeat or terminate our clinical trials if they are not conducted in accordance with regulatory requirements, the results are negative or inconclusive, or the trials are not well designed.

Clinical trials must be conducted in accordance with the FDA's current Good Clinical Practices requirements, or cGCPs, or analogous requirements of applicable foreign regulatory authorities. Clinical trials are subject to oversight by the FDA, other foreign governmental agencies, and IRBs or ethics committees at the study sites where the clinical trials are conducted. In addition, clinical trials must be conducted with product candidates produced in accordance with applicable current Good Manufacturing Practices. Clinical trials may be suspended by us or by the FDA, other foreign regulatory authorities, or by an IRB or ethic committee with respect to a particular clinical trial site, for various reasons, including:

- deficiencies in the conduct of the clinical trials, including failure to conduct the clinical trial in accordance with regulatory requirements or study protocols;
- deficiencies in the clinical trial operations or trial sites;
- unforeseen adverse side effects or the emergence of undue risks to study subjects;
- deficiencies in the trial design necessary to demonstrate efficacy;
- the product candidate may not appear to offer benefits over current therapies; or
- the quality or stability of the product candidate may fall below acceptable standards.

The design and implementation of clinical trials is a complex process. As a Company, we have limited experience designing and implementing clinical trials, and failure to adequately design a trial, or incorrect assumptions about the design of the trial, could adversely affect the ability to initiate the trial, enroll patients, complete the trial, or obtain regulatory approval on the basis of the trial results, as well as lead to increased or unexpected costs. We may not successfully or cost-effectively design and implement clinical trials that achieve our desired clinical endpoints efficiently, or at all. A clinical trial that is not well designed may delay or even prevent initiation of the trial, can lead to increased difficulty in enrolling patients, may make it more difficult to obtain regulatory approval for the product candidate on the basis of the study results, or, even if a product candidate is approved, could make it more difficult to commercialize the product successfully or obtain reimbursement from third party payors. Additionally, a trial that is not well-designed could be inefficient or more expensive than it otherwise would have been, or we may incorrectly estimate the costs to implement the clinical trial, which could lead to a shortfall in funding.

Regulatory approval processes are lengthy, expensive, and inherently unpredictable. Our inability to obtain regulatory approval for our product candidates would substantially harm our business.

Our shareholders and other 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 preclinical and clinical development, manufacture and sale, and post-marketing responsibilities for non-therapeutic and human therapeutic products in the United States, European Union, Canada, Australia and other countries that are the intended markets for our current and future 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 R&D 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 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 current or future 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.

Any product candidate for which we obtain marketing approval could be subject to post-marketing restrictions or recall or withdrawal from the market, and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our product candidates, when and if any of them are approved.

The FDA and other federal and state agencies, including the U.S. Department of Justice, or DOJ, closely regulate compliance with all requirements governing prescription drug products, including requirements pertaining to marketing and promotion of drugs in accordance with the provisions of the approved labeling and manufacturing of products in accordance with GMP requirements. The FDA and DOJ impose stringent restrictions on manufacturers' communications regarding off-label use and if we do not market our products for their approved indications, we may be subject to enforcement action for off-label marketing. Violations of such requirements may lead to investigations alleging violations of the Food, Drug and Cosmetic Act and other statutes, including the False Claims Act and other federal and state health care fraud and abuse laws as well as state consumer protection laws.

Our failure to comply with all regulatory requirements, and later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, may yield various results, including:

- litigation involving patients taking our products;
- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Non-compliance by us or any future collaborator with regulatory requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties. Similarly, failure to comply with regulatory requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

Non-compliance with EU requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, also can result in significant financial penalties. Similarly, failure to comply with the EU's requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

We may not achieve our publicly announced milestones according to schedule, or at all.

From time to time, we may announce the timing of certain events we expect to occur, such as the anticipated timing of results from our clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ significantly from what has been publicly disclosed. The timing of events such as the initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or an announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a CMO or a CRO or any other event having the effect of delaying the publicly announced timeline. We undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on our

business plan, financial condition or operating results, and the trading price of our common shares.

Future development collaborations may be important to us. If we are unable to enter into or maintain these collaborations, or if these collaborations are not successful, our business could be adversely affected.

We may in the future determine to seek to collaborate with pharmaceutical and biotechnology companies for development or commercialization of our current or future product candidates. We face significant competition in seeking appropriate collaborators. Our ability to reach a definitive agreement for any collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential development schedule or reduce the scope of research activities, or increase our expenditures and undertake discovery, nonclinical or clinical development activities at our own expense. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development activities, we may not be able to continue or further develop our current or future product candidates and our business may be materially and adversely affected.

Future collaborations we may enter into may involve the following risks:

- collaborators may have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, may divert resources or create competing priorities;
- collaborators may delay discovery, nonclinical or clinical development, provide insufficient funding for product development of targets selected by us, stop or abandon discovery, nonclinical or clinical development for a product candidate, or repeat or conduct new discovery, and nonclinical and clinical development for a product candidate;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed than our products;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the development of our product candidates;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the discovery, nonclinical or clinical development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or intellectual property rights licensed to us or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

Additionally, subject to its contractual obligations to us, if a collaborator is involved in a business combination, the collaborator might deemphasize or terminate the development of any of our product candidates. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators and our perception in the business and financial communities could be adversely affected.

If our collaborations do not result in the successful development of products or product candidates, product candidates could be delayed and we may need additional resources to develop product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this registration statement also apply to the activities of our collaborators.

We recently entered into a license and collaboration agreement with Ahon Pharma which allows the licensee to have exclusive rights to develop and commercialize DM199 for AIS in mainland China, Taiwan, Hong Kong S.A.R. and Macau S.A.R. in exchange for an upfront cash payment, potential future milestone payments and sales royalties. As a result, we are dependent upon this licensee for such development and commercialization and are not guaranteed of receipt of the potential future milestone payments and sales royalties.

We recently entered into a license and collaboration agreement with Ahon Pharma, a subsidiary of Fosun Pharma, which allows Ahon Pharma to have exclusive rights to develop and commercialize DM199 for AIS in mainland China, Taiwan, Hong Kong S.A.R. and Macau S.A.R. Under the terms of the agreement, we are entitled to receive an upfront payment of $5.0 million, consisting of $500,000 on signing, and $4.5 million upon regulatory clearance to initiate a clinical trial in China. We also have the potential to receive up to an additional $27.5 million in development and sales related milestones and high single and low double-digit royalties on net sales of DM199 in the licensed territories. All development, regulatory, sales, marketing, and commercial activities and associated costs in the licensed territories will be the sole responsibility of Ahon Pharma. As a result, we are dependent upon Ahon Pharma for such development and commercialization. There can be no assurance that we will receive the potential future milestone payments and sales royalties.

The successful commercialization of our current or future product candidates, if approved, will depend on achieving market acceptance and we may not be able to gain sufficient acceptance to generate significant revenue.

Even if our product candidates are successfully developed and receive regulatory approval, they may not gain market acceptance among

physicians, patients, healthcare payors such as private insurers or governments and other funding parties, and the medical community. The degree of market acceptance for any products we develop will depend on a number of factors, including:

- demonstration of the clinical efficacy and safety;
- the prevalence and severity of any adverse side effects;

- limitations or warnings contained in the product's approved labeling;
- cost-effectiveness and availability of acceptable pricing;
- competitive product profile versus alternative treatment methods and the superiority of alternative treatment or therapeutics;
- the effectiveness of marketing and distribution methods and support for the products; and
- coverage and reimbursement policies of government and third-party payors to the extent that our products could receive regulatory approval but not be approved for coverage by or receive adequate reimbursement from government and quasi-government agencies or other third-party payors.

Disease indications may be small subsets of a disease that could be parsed into smaller and smaller indications as different subsets of diseases are defined. This increasingly fine characterization of diseases could have negative consequences; including creating an approved indication that is so small as not to have a viable market for us. If future technology allows characterization of a disease in a way that is different from the characterization used for large pivotal studies, it may make those studies invalid or reduce their usefulness, and may require repeating all or a portion of the studies. Future technology may supply better prognostic ability which could reduce the portion of patients projected to need a new therapy. Even after being cleared by 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.

If we fail to obtain coverage and adequate reimbursement for our products, our revenue-generating ability will be diminished and there is no assurance that the anticipated market for our products will be sustained.

We believe that there will be many different applications for products successfully derived from our technologies and that the anticipated market for products under development will continue to expand. However, due to competition from existing or new products and the yet-to-be established commercial viability of our products, no assurance can be given that these beliefs will prove to be correct. Physicians, patients, formularies, payors or the medical community in general may not accept or utilize any products that we may develop. Other drugs may be approved during our clinical testing which could change the accepted treatments for the disease targeted and make our product candidates obsolete.

Our ability to commercialize our future products, if any, successfully will depend, in part, on the extent to which coverage and adequate reimbursement for such products and related treatments will be available from governmental health payor programs at the federal and state levels, including Medicare and Medicaid, private health insurers, managed care plans and other organizations. No assurance can be given that third-party coverage and adequate reimbursement will be available that will allow us to maintain price levels sufficient for the realization of an appropriate return on our investment in product development. Coverage and adequate reimbursement from governmental healthcare programs, such as Medicare and Medicaid, and private health insurers, managed care plans and other organizations is critical to new product acceptance. There is no uniform coverage and reimbursement policy among third-party payors in the United States; however, private third-party payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Additionally, coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Even if we obtain coverage for our product candidates, the resulting reimbursement payment rates might not be adequate or may require co-payments that patients find unacceptably high. In addition, healthcare reform and controls on healthcare spending may limit the price we charge for any products and the amounts thereof that we can sell. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates.

Outside of the United States, the successful commercialization of our products will depend largely on obtaining and maintaining government coverage, because in many countries patients are unlikely to use prescription drugs that are not covered by their government healthcare programs. Negotiating coverage and reimbursement with governmental authorities can delay commercialization by 12 months or more. Coverage and reimbursement policies may adversely affect our ability to sell our products on a profitable basis. In many international markets, governments control the prices of prescription pharmaceuticals, including through the implementation of reference pricing, price cuts, rebates, revenue-related taxes and profit control, and we expect prices of prescription pharmaceuticals to decline over the life of the product or as volumes increase.

We will not be able to successfully commercialize our current or future product candidates without establishing sales and marketing capabilities internally or through collaborators.

We currently have no sales and marketing staff. We may not be able to find suitable sales and marketing staff and collaborators for our product candidates. We have no prior experience in the marketing, sale and distribution of pharmaceutical products and there are significant risks involved in building and managing a sales organization, including our ability to hire, retain and incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel, and effectively manage a geographically dispersed sales and marketing team. Any collaborators may not be adequate or successful or could terminate or materially reduce the effort they direct to our products. The development of a marketing and sales capability will require significant expenditures, management resources and time. The cost of establishing such a sales force may exceed any potential product revenue, or our marketing and sales efforts may be unsuccessful. If we are unable to develop an internal marketing and sales capability in a timely fashion, or at all, or if we are unable to enter into a marketing and sales arrangement with a third party on acceptable terms, we may be unable to successfully develop and seek regulatory approval for our product candidates and/or effectively market and sell approved products, if any.

We face competition from other biotechnology and pharmaceutical companies and our financial condition and operations will suffer if we fail to effectively compete.

Technological competition is intense in the industry in which we operate. Competition comes from pharmaceutical companies, biotechnology companies, and universities, as well as companies that offer non-pharmaceutical solutions in the markets we may attempt to address with our products. Many of our competitors have substantially greater financial and technical resources; more extensive R&D 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. R&D by others may render our product candidates non-competitive or obsolete.

Our product candidates may face competition sooner than expected.

We believe that DM199 could qualify for 12 years of data exclusivity in the United States under the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which was enacted as part of the Patient Protection and Affordable Care Act. Under the BPCIA, an application for a biosimilar product, or BLA, cannot be submitted to the FDA until four years, or if approved by the FDA, until 12 years, after the original brand product identified as the reference product is approved under a BLA. The BPCIA provides an abbreviated pathway for the approval of biosimilar and interchangeable biological products. The new abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on its similarity to an existing brand product. The new law is complex and is only beginning to be interpreted and implemented by the FDA. While it is uncertain when any such processes may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for any of our product candidates that are biologics. There is also a risk that the U.S. Congress could repeal or amend the BPCIA to shorten this exclusivity period, potentially creating the opportunity for biosimilar competition sooner than anticipated after the expiration of our patent protection. Moreover, the extent to which a biosimilar, once approved, will be substituted for any reference product in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

Even if, as we expect, our current or future product candidates are considered to be reference products eligible for 12 years of exclusivity under the BPCIA, another company could market competing products if the FDA approves a full BLA for such product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of the products. Moreover, an amendment or repeal of the BPCIA could result in a shorter exclusivity period for our product candidates, which could have a material adverse effect on our business.

Our relationships with customers and third-party payers will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, program exclusion, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payers will likely play a primary role in the recommendation and prescription of any product candidates for which we receive marketing approval. Our future arrangements with third-party payers and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute the products for which we receive marketing approval. Currently, restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal healthcare anti-kickback statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid. This statute may apply to our marketing practices, educational programs, pricing policies and relationships with healthcare providers. A person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a violation;

- the federal False Claims Act imposes civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. The government also may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly inflating drug prices they report to pricing services, which in turn were used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program and also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

- the federal false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;

- the federal transparency requirements under the PPACA, require manufacturers of covered drugs, devices, biologics and medical supplies to report to the Department of Health and Human Services information related to physician payments and other transfers of value and physician ownership and investment interests;

- analogous state laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payers, including private insurers, and some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures;

- the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, and its implementation regulations, as well as the Drug Supply Chain Security Act, or DSCSA, which regulates the distribution of and tracing of prescription drugs and prescription drug samples at the federal level, and sets minimum standards for the regulation of drug distributors by the states. The PDMA, its implementing regulations and state laws limit the distribution of prescription pharmaceutical product samples, and the DSCSA imposes requirements to ensure accountability in distribution and to identify and remove counterfeit and other illegitimate products from the market; and

- the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. §201, the U.S. Travel Act.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

The risk of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. We are unable to predict what additional federal or state legislation or regulatory initiatives may be enacted in the future regarding our business or the healthcare industry in general, or what effect such legislation or regulations may have on us. Federal or state governments may impose additional restrictions or adopt interpretations of existing laws that could have a material adverse effect on us.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Laws, restrictions, and other regulatory measures are also imposed by anti-kickback, fraud and abuse, and other healthcare laws and regulations in international jurisdictions and in those jurisdictions we face the same issues as in the United State regarding exposure to criminal sanctions, civil penalties, program exclusion, contractual damages, reputational harm, and diminished profits and future earnings.

We heavily rely on the capabilities and experience of our key executives and scientists and the loss of any of them could affect our ability to develop our products.

We depend on our management personnel. We also depend on our scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to us. In addition, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled scientific, managerial, medical, clinical, and regulatory personnel, particularly as we expand our activities and seek regulatory approvals for clinical trials. We enter into agreements with scientific and clinical collaborators and advisors, key opinion leaders, and academic partners in the ordinary course of our business. We also enter into agreements with physicians and institutions who will recruit patients into our clinical trials on our behalf in the ordinary course of our business. Notwithstanding these arrangements, we face significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. We cannot predict our success in hiring or retaining the personnel we require for continued growth. The loss of the services of any of our executive officers or other key personnel could potentially harm our business, operating results, or financial condition.

We will likely need to expand our operations and increase the size of our company, and we may experience difficulties in managing growth.

As we advance DM199 and any future product candidates through preclinical testing and clinical studies, and develop our current or future product candidates, we will need to increase our product development, scientific, regulatory and compliance and administrative headcount to manage these programs. In addition, to meet our obligations as a public company, we will need to increase our general and administrative, or G&A, capabilities. Our management, personnel and systems currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and various projects requires that we:

- successfully attract and recruit new employees with the expertise and experience we will require;
- manage our clinical programs effectively, which we anticipate being conducted at numerous clinical sites;
- develop a marketing, distribution and sales infrastructure if we seek to market our products directly; and
- continue to improve our operational, manufacturing, quality assurance, financial and management controls, reporting systems and procedures.

If we are unable to successfully manage this growth and increased complexity of operations, our business may be adversely affected.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with FDA regulations, provide accurate information to the FDA, comply with manufacturing and reporting standards we have established, comply with federal and state health-care fraud and abuse laws and regulations, report financial information or data accurately, or disclose unauthorized activities to us. In particular, sales, marketing, and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a substantial impact on our business and results of operations, including the imposition of substantial fines or other sanctions.

We may expand our business through the acquisition of companies or businesses or by entering into collaborations or by in-licensing product candidates, each of which could disrupt our business and harm our financial condition.

We have in the past and may in the future seek to expand our pipeline and capabilities by acquiring one or more companies or businesses, entering into collaborations, or in-licensing one or more product candidates. Acquisitions, collaborations and in-licenses involve numerous risks, including, but not limited to:

- substantial cash expenditures;
- technology development risks;
- potentially dilutive issuances of equity securities;
- incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of acquisition;
- difficulties in assimilating the operations of the acquired companies;
- potential disputes regarding contingent consideration;
- diverting our management's attention away from other business concerns;
- entering markets in which we have limited or no direct experience; and
- potential loss of our key employees or key employees of the acquired companies or businesses.

We cannot provide assurance that any acquisition, collaboration, or in-license will result in short-term or long-term benefits to us. We may incorrectly judge the value or worth of an acquired company or business or in-licensed product candidate. In addition, our future success would depend in part on our ability to manage the growth associated with some of these acquisitions, collaborations and in-licenses. We cannot provide assurance that we would be able to successfully combine our business with that of acquired businesses, manage a collaboration or integrate in-licensed product candidates. Furthermore, the development or expansion of our business may require a substantial capital investment by us.

Our current or future product candidates may cause undesirable side effects or have other properties that could prevent their regulatory approval, limit the commercial scope of their approved uses, or result in significant negative consequences following any marketing approval.

Undesirable side effects caused by our product candidates could cause us or regulatory authorities to delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authorities. Results of our trials could reveal unacceptable side effects or unexpected characteristics. In such an event, we could suspend or terminate our clinical trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Drug-related side effects could affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by any such products, a number of potentially significant negative consequences could result, including:

- we may suspend marketing of, or withdraw or recall, such product;
- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label or otherwise seek to limit the scope of the approved uses reflected in the label of such product;
- the FDA may require the use of or modification of a Risk Evaluation and Mitigation Strategy, or REMS, or a comparable foreign regulatory authority may require the establishment or modification of a similar strategy that may, for instance, restrict distribution of our products and impose other implementation requirements on us;
- regulatory authorities may require that we conduct post-marketing studies;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate or otherwise materially harm the commercial prospects for the product candidate, if approved, and could significantly harm our business, results of operations and prospects.

We face the risk of product liability claims, which could exceed our insurance coverage and produce recalls, each of which could deplete our cash resources.

We are exposed to the risk of product liability claims alleging that use of our product candidates caused an injury or harm. These claims can arise at any point in the development, testing, manufacture, marketing, or sale of our product candidates and may be made directly by patients involved in clinical trials of our product candidates, by consumers or healthcare providers, or by individuals, organizations, or companies selling our products. Product liability claims can be expensive to defend, even if the product or product candidate did not actually cause the alleged injury or harm.

Insurance covering product liability claims becomes increasingly expensive as a product candidate moves through the development pipeline to commercialization. To protect against potential product liability risks, we have AUD$20 million per occurrence and AUD$20 million aggregate clinical trial insurance for the REMEDY Phase 2 clinical trial in Australia and US$5.0 million product liability insurance coverage. However, there can be no assurance that such insurance coverage is or will continue to be adequate or available to us at a cost acceptable to us or at all. We may choose or find it necessary under our collaboration agreements to increase our insurance coverage in the future. We may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for damages resulting from a product liability claim could exceed the amount of our coverage, require us to pay a substantial monetary award from our own cash resources and have a material adverse effect on our business, financial condition, and results of operations. Moreover, a product recall, if required, could generate substantial negative publicity about our products and business, inhibit or prevent commercialization of other products and product candidates, or negatively impact existing or future collaborations.

If we are unable to maintain product liability insurance required by our third parties, the corresponding agreements would be subject to termination, which could have a material adverse impact on our operations.

Some of our license, clinical trials and other agreements with third parties require, and in the future may require, us to maintain product liability insurance. If we cannot maintain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on our operations.

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, or 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.

A variety of risks are associated with operating our business internationally which could materially adversely affect our business.

We conduct certain R&D operations in Australia. In addition, we may conduct certain future clinical trials and plan to seek regulatory approval of our product candidates outside of the United States. Accordingly, we are subject to risks related to operating in foreign countries, including:

- different regulatory requirements for drug approvals in foreign countries;
- different standards of care in various countries that could complicate the evaluation of our product candidates;
- different United States and foreign drug import and export rules;
- reduced protection for intellectual property rights in certain countries;
- unexpected changes in tariffs, trade barriers, and regulatory requirements;
- different reimbursement systems and different competitive drugs indicated to treat the indications for which our product candidates are being developed;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration, and labor laws for employees living or traveling abroad;
- compliance with the Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad;
- potential liability resulting from development work conducted by foreign partners;
- business interruptions resulting from natural disasters or geopolitical actions, including war and terrorism, or systems failure including cybersecurity breaches; and
- compliance with evolving and expansive international data privacy laws, such as the European Union General Data Protection Regulation.

Future legislation in the United States, Europe or other countries, and/or regulations and policies adopted by the FDA, the EMA or comparable regulatory authorities, may increase the time and cost required for us or our collaborator to conduct and complete clinical trials of our current or future product candidates

The FDA and the EMA have each established regulations to govern the product development and approval process, as have other foreign regulatory authorities. The policies of the FDA, the EMA and other regulatory authorities may change. For example, in December 2016, the 21st Century Cures Act, or Cures Act, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and spur innovation, but not all of its provisions have yet been implemented. Additionally, in August 2017, the FDA issued final guidance setting forth its current thinking with respect to development programs and clinical trial designs for antibacterial drugs to treat serious bacterial diseases in patients with an unmet medical need. We cannot predict what if any effect the Cures Act or any existing or future guidance from the FDA or other regulatory authorities will have on the development of our product candidates.

Recently enacted and future legislation may increase the difficulty and cost for us and our collaborators to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval.

Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. For example, the ACA, which was enacted in the United States in March 2010, includes measures to change health care delivery, decrease the number of individuals without insurance, ensure access to certain basic health care services, and contain the rising cost of care. This healthcare reform movement, including the enactment of the ACA, has significantly changed health care financing by both governmental and private insurers in the United States. With respect to pharmaceutical manufacturers, the ACA increased the number of individuals with access to health care coverage, including prescription drug coverage, but it simultaneously imposed, among other things, increased liability for rebates and discounts owed to certain entities and government health care programs, new fees for the manufacture or importation of certain branded drugs, and new transparency reporting requirements under the Physician Payments Sunshine Act.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the current administration to repeal or replace certain aspects of the ACA. Since January 2017, two U.S. Presidential Executive Orders have been signed and other directives designed to delay the implementation of any certain provisions of the ACA or otherwise remove some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additionally, on January 22, 2018, the U.S. President signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain ACA-mandated fees, including the tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. Further, the Bipartisan Budget Act of 2018, or the BBA, among other things, amends the ACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole."

In addition to the ACA, other federal health reform measures have been proposed and adopted in the United States. For example, legislation has been enacted to reduce the level of reimbursement paid to providers under the Medicare program over time, as well as phase in alternative payment models for provider services under the Medicare program with the goal of incentivizing the attainment of pre-defined quality measures. As these measures are not fully in effect, and since the U.S. Congress could intervene to prevent their full implementation, it is unclear how payment reductions or the introduction of the quality payment program will impact overall physician reimbursement under the Medicare program. It is also unclear if changes in Medicare payments to providers would impact such providers' willingness to prescribe and administer our products, if approved. Further, there has been heightened governmental scrutiny over the manner in which companies set prices for their marketed products. For example, there have been several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and patient programs, and reform government program reimbursement methodologies for drug products.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any product, if approved. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our drugs.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for drugs. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our current or future product candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

We conduct certain research and development operations through our Australian wholly-owned subsidiary. If we lose our ability to operate in Australia, or if our subsidiary is unable to receive the research and development incentive payment allowed by Australian regulations, our business and results of operations could suffer.

In July 2016, we formed a wholly-owned Australian subsidiary, DiaMedica Australia Pty Ltd, to conduct various clinical activities for our product and development candidate in Australia. Due to the geographical distance and lack of employees currently in Australia, as well as our lack of experience operating in Australia, we may not be able to efficiently or successfully monitor, develop and commercialize our lead product candidate in Australia, including conducting clinical trials. Furthermore, we have no assurance that the results of any clinical trials that we conduct for our product candidate in Australia will be accepted by the FDA or foreign regulatory authorities for development and commercialization approvals.

In addition, current Australian tax regulations provide for a refundable R&D incentive payment equal to 43.5% of qualified expenditures. We received incentive payments of approximately AUD$ 306,000 and AUD$ 777,000 during 2017 and 2018, respectively, for research expenditures made during 2016 and 2017. If our subsidiary loses its ability to operate in Australia, or if we are ineligible or unable to receive the R&D incentive payment, or the Australian government significantly reduces or eliminates the incentive program, our business and results of operation may be adversely affected.

Risks Related to Intellectual Property

If we are unable to adequately protect and enforce our intellectual property, our competitors may take advantage of our development efforts or acquired technology and compromise our prospects of marketing and selling our key product candidates.

We believe that patents and other proprietary rights are key 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.

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. We have a number of patents, patent applications and rights to patents related to our compounds, product candidates 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.

To the extent that development, manufacturing, and testing of our product candidates 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 product candidates 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. 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 commercially reasonable 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 product candidates 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.

We may require additional third-party licenses to effectively develop and manufacture our key products and are currently unable to predict the availability or cost of such licenses.

A substantial number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third-party patent rights cover our product candidates, we or our strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use, or sell these product candidates, and payments under them would reduce our profits from these product candidates. We are currently unable to predict the extent to which we may wish or be required to acquire rights under such patents, the availability and cost of acquiring such rights, and whether a license to such patents will be available on acceptable terms, or at all. There may be patents in the U.S. or in foreign countries or patents issued in the future that are unavailable to license on acceptable terms. Our inability to obtain such licenses may hinder or eliminate our ability to develop, manufacture and market our product candidates.

Changes in patent law and its interpretation could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time consuming, and inherently uncertain. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' or collaborators' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office ("USPTO"), the laws and regulations governing patents could change in unpredictable ways that would weaken our and our licensors' or collaborators' ability to obtain new patents or to enforce existing patents and patents we and our licensors or collaborators may obtain in the future. Changes in either the patent laws or interpretation of the patent laws in the United States or other countries could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents.

Assuming that other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 2013, under the Leahy-Smith America Invents Act, or the America Invents Act, enacted in September 2011, the United States transitioned to a first inventor to file system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. A third party that files a patent application in the USPTO after March 2013, but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third party. This will require us to be cognizant of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we or our licensors were the first to either (i) file any patent application related to our product candidates or (ii) invent any of the inventions claimed in our or our licensor's patents or patent applications.

The America Invents Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing third party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. Therefore, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our owned or in-licensed patent applications and the enforcement or defense of our owned or in-licensed issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' or collaborators' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office, and similar legislative, judicial, and administrative bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our and our licensors' or collaborators' ability to obtain new patents or to enforce existing patents and patents we and our licensors or collaborators may obtain in the future.

Litigation regarding patents, patent applications, and other proprietary rights may be expensive, time consuming and cause delays in the development and manufacturing of our key product candidates.

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 (including treble damages and attorneys' fees if we are found to have willfully infringed) 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.

Competitors may infringe our patents or other intellectual property. If we were to initiate legal proceedings against a third party to enforce a patent covering our product candidates, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, written description or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability is unpredictable. Moreover, similar challenges may be made by third parties outside the context of litigation, e.g., via administrative proceedings such as post grant or *inter partes* review in the United States or via oppositions or other similar proceedings in other countries/regions.

Interference or derivation proceedings provoked by third parties or brought by us or declared by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms or at all, or if a non-exclusive license is offered and our competitors gain access to the same technology. Our defense of litigation, validity or enforceability, interference or derivation proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with litigation or such other proceedings could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties, or enter into development partnerships that would help us bring our product candidates to market.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or administrative proceedings, there is a risk that some of our confidential information could be compromised by disclosure. There could also be public announcements of the results of hearings, motions, or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common shares.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose intellectual property rights that are important to our business.

We are a party to a license agreement relating to an expression system and cell line for use in the production of DM199 or any human KLK1, and we may need to obtain additional licenses from others to advance our R&D activities or allow the commercialization of DM199 or any other product candidates we may identify and pursue. Future license agreements may impose, various development, diligence, commercialization, and other obligations on us. If any of our in-licenses are terminated, or if the underlying patents fail to provide the intended exclusivity, competitors or other third parties main gain access to technologies that are material to our business, and we may be required to cease our development and commercialization of DM199 or other product candidates that we may identify or to seek alternative manufacturing methods. However, suitable alternatives may not be available or the development of suitable alternatives may result in a significant delay in our commercialization of DM199. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

Moreover, disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our product candidates, technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

In addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them.

Because we rely on third-parties to develop our products, we must share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements, or other similar agreements with our collaborators, advisors, employees, and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of our collaborators, advisors, employees, and consultants to publish data potentially relating to our trade secrets. Our academic collaborators typically have rights to publish data, provided that we are notified in advance and may delay publication for a specified time in order to secure our intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by us, although in some cases we may share these rights with other parties. We also conduct joint R&D programs which may require us to share trade secrets under the terms of R&D collaboration or similar agreements. However, we cannot be certain that such agreements have been entered into with all relevant parties. Moreover, despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development, or publication of information including our trade secrets in cases where we do not have proprietary or otherwise protected rights at the time of publication. Trade secrets can be difficult to protect. If the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating any trade secrets. A competitor's discovery of our trade secrets may impair our competitive position and could have a material adverse effect on our business and financial condition.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired, we may be open to competition from competitive products, including generics or biosimilars. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is common in the biotechnology and pharmaceutical industry, we employ individuals who were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employee's former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and/or applications. We have systems in place to remind us to pay these fees, and we employ an outside firm and rely on our outside counsel to pay these fees due to non-U.S. patent agencies. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to enter the market and this circumstance would have a material adverse effect on our business.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to Our Common Shares

Our anticipated share consolidation may not have the intended benefits.

We intend to effect a share consolidation, or reverse stock split, of our common shares, prior to the effective date of this registration statement. At our Annual General and Special Meeting of Shareholders held on December 21, 2017, our shareholders approved a reverse split at a rate of up to one-for-thirty (1:30), with the actual rate to be determined by our Board of Directors in its sole discretion. We cannot predict whether the share consolidation will increase the market price for our common shares on a sustained basis. The history of similar share consolidations for companies in similar circumstances is varied, and we cannot predict whether:

- the share consolidation will result in a sustained price per share that will attract brokers and investors who do not trade in lower priced stocks;
- the share consolidation will result in a price per share that will increase our ability to attract and retain employees and other service providers;
- the market price per share will remain at a level in excess of the minimum bid price as required for initial and subsequently continued listing on Nasdaq; or
- even if the share consolidation does increase the market price of our common shares on a sustained basis, we will otherwise meet the requirements of Nasdaq and be able to maintain our listing, once obtained.

Our common share price has been volatile in recent years and may continue to be volatile.

Our common shares currently trade in Canada on the TSX-V and in the United States on the OTCQB marketplace under the trading symbol "DMCAF." We have applied to list our common shares on Nasdaq under the trading symbol "DMAC." 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 material events and 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.

We do not have a very active trading market for our common shares and one may never develop.

Although our common shares currently trade in Canada on the TSX-V and in the United States on the OTCQB marketplace, and although we have applied to list our common shares on Nasdaq, we do not have a very active trading market for our common shares and one may never develop. Although we anticipate that our common shares will be approved for listing on Nasdaq and that a more active trading market for our shares will develop, we can give no assurance that this will occur or that an active trading market will be sustained. If an active market for our common shares does not develop, it may be difficult for you to sell shares at a favorable price or at all.

We have never paid dividends and do not expect to do so in the foreseeable future.

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. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, appreciation, if any, in the market price of our common shares will be your sole source of gain for the foreseeable future.

We may issue additional common shares resulting in share ownership dilution.

Future dilution may occur due to additional future equity financing events by us. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted. In addition, if outstanding options, warrants, or deferred share units are exercised or otherwise converted into our common shares, our shareholders will experience additional dilution.

It may be difficult for non-Canadian shareholders or other investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

We are a corporation existing under the federal laws of Canada. Two of our directors and several of the experts we utilize are residents of Canada, and all or a substantial portion of their assets, and a portion of our assets, are located outside the United States. Consequently, it may be difficult for holders of our securities who reside in the United States to effect service within the United States upon those directors and the experts who are not residents of the United States. It may also be difficult for holders of our securities who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers, and experts under the United States federal securities laws. Our shareholders and other investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or such directors, officers, or experts predicated upon the civil liability provisions of the United States federal securities laws or the securities or "blue sky" laws of any state or jurisdiction of the United States, or (ii) would enforce, in original actions, liabilities against us or such directors, officers, or experts predicated upon the United States federal securities laws or any securities or "blue sky" laws of any state or jurisdiction of the United States. In addition, the protections afforded by Canadian securities laws may not be available to our shareholders or other investors in the United States.

If there are substantial sales of our common shares, the market price of our common shares could decline.

Sales of substantial numbers of our common shares could cause a decline in the market price of our common shares. Any sales by existing shareholders or holders who exercise their warrants or stock options may have an adverse effect on our ability to raise capital and may adversely affect the market price of our common shares.

Once the listing of our common shares is approved by Nasdaq, our common shares will be traded on more than one market and this may result in price variations.

Once the listing of our common shares is approved by Nasdaq, our common shares will be traded on Nasdaq and the TSX-V. Trading in our common shares on these markets will take place in different currencies (U.S. dollars on Nasdaq and Canadian dollars on the TSX-V) and at different times (due to different time zones, trading days and public holidays in the U.S. and Canada). The trading prices of our common shares on these two markets may differ due to these and other factors. Any decrease in the trading price of our common shares on one of these markets could cause a decrease in the trading price of our common shares on the other market. Differences in trading prices on the two markets could negatively impact our trading price.

We could be subject to securities class action litigation, which is expensive and could divert management attention.

In the past, securities class action litigation has often been brought against a company following a decline or increase in the market price of its securities or certain significant business transactions. We may become involved in this type of litigation in the future. If we face such litigation, it could result in substantial costs and a diversion of management's attention and our resources, which could harm our business.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, the market stock of our common shares and trading volume could decline.

The trading market for our common shares in the United States will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. There can be no assurance that analysts will cover us or provide favorable coverage. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the market price of our common shares or trading volume to decline.

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our common shares less attractive to our shareholders and other investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012. We may remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of our first sale of common shares pursuant to a registration statement under the Securities Act of 1933, as amended, or until such earlier time as we have more than $1.07 billion in annual revenue, the market value of our common shares held by non-affiliates is more than $700 million or we issue more than $1 billion of non-convertible debt over a three-year period. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Our shareholders and other investors may find our common shares less attractive as a result of our reliance on these exemptions. If some of our shareholders or other investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the trading price of our common shares may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised financial accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have determined to opt out of such extended transition period and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised financial accounting standards is irrevocable.

Our shareholders and other investors may find our common shares less attractive as a result of our reliance on these exemptions. If some of our shareholders or other investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the trading price of our common shares may be more volatile.

We will incur increased costs as a result of operating as a U.S. public reporting company and maintaining a dual listing on the TSX-V and Nasdaq, and our management is required to devote substantial time to new compliance initiatives.

As a U.S. public reporting company, we will incur, particularly after we are no longer an "emerging growth company," significant legal, accounting and other expenses that we did not incur as a company listed on the TSX-V in order to maintain a dual listing on both the Nasdaq and the TSX-V. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on U.S. public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. We may have to hire additional accounting, finance, and other personnel in connection with our becoming a U.S. public reporting company, and our efforts to comply with the requirements of being a U.S. public reporting company, and our management and other personnel will need to devote a substantial amount of time towards maintaining compliance with these requirements. These requirements increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

We have no operating experience as a publicly traded company in the U.S.

We have no operating experience as a publicly traded company in the U.S. Although the individuals who now constitute our management team have experience managing a publicly-traded company, there is no assurance that the past experience of our management team will be sufficient to operate the Company as a publicly traded company in the U.S., including timely compliance with the disclosure requirements of the SEC. Following the effectiveness of this registration statement, we will be required to develop and implement internal control systems and procedures in order to satisfy the periodic and current reporting requirements under applicable SEC regulations and to comply with the Nasdaq listing standards. This transition could place a significant strain on our management team, infrastructure and other resources. In addition, our management team may not successfully or efficiently manage a public company that is subject to significant regulatory oversight and reporting obligations.

Our inability to comply with the continued listing requirements of Nasdaq could result in our common shares being delisted, which could affect the market price and liquidity of our common shares and reduce our ability to raise capital.

We will be required to meet certain qualitative and financial tests to maintain the listing of our common shares on Nasdaq. If we do not maintain compliance with the continued listing requirements for Nasdaq within specified periods and subject to permitted extensions, our common shares may be recommended for delisting (subject to any appeal we would file). No assurance can be provided that we will comply with these continued listing requirements. If our common shares were delisted, it could be more difficult to buy or sell our common shares and to obtain accurate quotations, and the price of our common shares could suffer a material decline. Delisting would also impair our ability to raise capital.

Our shareholder rights plan may delay or prevent an acquisition of us that shareholders may consider favorable or may prevent efforts by our shareholders to change our directors or our management, which could decrease the value of your common shares.

Our shareholders approved the adoption of a shareholder rights plan agreement on December 21, 2017. The shareholder rights plan is designed to provide adequate time for our Board of Directors and shareholders to assess an unsolicited takeover bid for our company, to provide our 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 shareholder rights plan is set to expire at the close of our annual meeting of shareholders in 2020. The rights will become exercisable only when a person, including any party related to it, acquires or attempts to acquire 20% or more of our outstanding common shares without complying with the "permitted bid" provisions of the plan or without approval of our 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% discount to the market price at the time. Under the plan, a "permitted bid" is a bid made to all holders of our common shares and which is open for acceptance for not less than 60 days. If at the end of 60 days at least 50% 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.

While we believe our rights plan enables our Board of Directors to help ensure that our shareholders are not deprived of the opportunity to realize the full and fair value of their investments, the rights plan may inhibit a change in control of our company by a third party in a transaction not approved by our Board of Directors. If a change in control is inhibited or delayed in this manner, it may adversely affect the market price of our common shares.

Any failure to maintain an effective system of internal controls may result in material misstatements of our consolidated financial statements or cause us to fail to meet our reporting obligations or fail to prevent fraud; and in that case, our shareholders or other investors could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our common shares.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or prevent fraud; and in that case, our shareholders or other investors could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our common shares. As a result of our limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. Due to resource constraints and the present stage of our development, we do not have sufficient size and scale to warrant the hiring of additional staff to address this potential weakness at this time. To help mitigate the impact of this, we are highly reliant on the performance of compensating procedures and senior management's review and approval. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our future reporting obligations.

If we fail to timely achieve and maintain the adequacy of our internal control over financial reporting, we may not be able to produce reliable financial reports or help prevent fraud. Our failure to achieve and maintain effective internal control over financial reporting could prevent us from complying with our reporting obligations on a timely basis, which could result in the loss of shareholder or other investor confidence in the reliability of our consolidated financial statements, harm our business and negatively impact the trading price of our common shares.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we will be required to furnish a report by our management on our internal control over financial reporting, and after we are no longer an emerging growth company, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will have to engage in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. There is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Canadian laws differ from the laws in effect in the United States and may afford less protection to holders of our securities.

We are a Canadian corporation and are subject to the CBCA and applicable Canadian securities laws as a Canadian reporting issuer, which laws may differ from those governing a company formed under the laws of a United States jurisdiction. The provisions under the CBCA and other relevant laws may affect the rights of shareholders differently than those of a company governed by the laws of a United States jurisdiction, and may, together with our articles and by-laws, have the effect of delaying, deferring or discouraging another party from acquiring control of our company by means of a tender offer, a proxy contest or otherwise, or may affect the price an acquiring party would be willing to offer in such an instance.

We may be classified as a "passive foreign investment company," which may have adverse U.S. federal income tax consequences for U.S. shareholders.

Our U.S. shareholders should be aware that we may have been classified as a passive foreign investment company, or PFIC, during the tax years ended December 31, 2017 and 2016, and based on current business plans and financial expectations, it is possible that we may be a PFIC for the current tax year and future tax years. If we are a PFIC for any year during a U.S. shareholder's holding period of our common shares, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of our common shares, or any so-called "excess distribution" received on our common shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election, or QEF Election, or a "mark-to-market" election with respect to our shares. A U.S. shareholder who makes a QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the shareholder's adjusted tax basis therein. The QEF Election is available only if a PFIC provides a U.S. shareholder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. In the event the Company constitutes a PFIC, the Company intends to provide, upon request, all information and documentation that a U.S. shareholder making a QEF Election is required to obtain for U.S. federal income tax purposes (e.g., the U.S. shareholder's *pro rata* share of ordinary income and net capital gain, and a "PFIC Annual Information Statement" as described in applicable U.S. Treasury regulations). Each U.S. shareholder should consult its own tax advisors regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common shares.

ITEM 2. FINANCIAL INFORMATION.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon accounting principles generally accepted in the United States of America and discusses the financial condition and results of operations for DiaMedica Therapeutics Inc. for the three and six months ended June 30, 2018 and 2017 and the years ended December 31, 2017 and 2016.

This discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this registration statement. The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from the forward-looking statements as a result of these risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" for additional cautionary information.

Overview

We are a clinical stage biopharmaceutical company primarily focused on the development of novel recombinant proteins. Our goal is to use our patented and licensed technologies to establish our company as a leader in the development and commercialization of therapeutic treatments for novel recombinant proteins to treat neurological and kidney diseases. Our current primary focus is on AIS and CKD. We plan to advance DM199, our lead drug candidate, through required clinical trials to create shareholder value by establishing its clinical and commercial potential as a therapy for AIS and CKD.

We have not generated any revenues from product sales. Since our inception, we have financed our operations from public and private sales of equity, the exercise of warrants and stock options, interest income on funds available for investment, and government grants and tax credits. We have incurred losses in each year since our inception. Our net losses were $2.4 million and $2.8 million for the six months ended June 30, 2018 and 2017, respectively, and $4.3 million and $2.2 million for the years ended December 31, 2017 and 2016, respectively. As of June 30, 2018, we had an accumulated deficit of $42.6 million. Substantially all of our operating losses resulted from expenses incurred in connection with product candidate development programs, our R&D activities and G&A costs associated with our operations.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. In the near term, we anticipate that our expenses will increase as we:

- advance the ongoing clinical development of DM199;
- maintain, expand and protect our intellectual property portfolio; and
- provide general and administrative support for our operations.

To fund future operations we will need to raise additional capital. The amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, the potential expansion of our current development programs, potential new development programs and related G&A support. We anticipate that we will seek to fund our operations through public or private equity or debt financings or other sources, such as potential collaboration agreements. We cannot assure you that anticipated additional financing will be available to us on favorable terms, or at all. Although we have previously been successful in obtaining financing through our equity securities offerings, there can be no assurance that we will be able to do so in the future.

Financial Overview

Revenues

Since our inception, we have incurred losses while advancing the R&D of our therapeutic product candidates. We have not generated any revenues from product sales and do not expect to do so for a number of years. We may never generate revenues from our DM199 product candidate or any of our preclinical development programs, as we may never succeed in obtaining regulatory approval or commercializing any of these product candidates.

Research and Development Expenses

R&D expenses consist primarily of fees paid to external service providers such as contract research organizations and contract manufacturing organizations related to clinical trials, contractual obligations for clinical development, clinical sites, laboratory testing, preclinical trials, development of DM199 and the related manufacturing processes, salaries, benefits, share-based compensation and other personnel costs. We spent $1.9 million and $2.2 million on R&D expenses for the six months ended June 30, 2018 and 2017, respectively, and $3.2 million and $1.7 million for the years ended December 31, 2017 and 2016, respectively. Over the past approximately eight years, our R&D efforts have been primarily focused on DM199 for AIS and CKD.

At this time, due to the risks inherent in the clinical development process and the early stage of our product development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of DM199 or any of our preclinical development programs. We expect that our R&D expenses may increase if we are successful in advancing DM199, or any of our preclinical programs, into advanced stages of clinical development. The process of conducting clinical trials necessary to obtain regulatory approval and manufacturing scale-up to support expanded development and potential future commercialization is costly and time consuming. Any failure by us or delay in completing clinical trials, manufacturing scale-up or in obtaining regulatory approvals could lead to increased R&D expense and, in turn, have a material adverse effect on our results of operations.

General and Administrative Expenses

G&A expenses consist primarily of salaries and related benefits, including share-based compensation related to our executive, finance, business development and support functions. Other G&A expenses include rent and utilities, travel expenses and professional fees for auditing, tax and legal services. We expect that G&A expenses will increase in the future as we expand our operating activities. In addition, G&A expenses are expected to reflect increased costs associated with our anticipated U.S. public reporting company status and listing on Nasdaq. We anticipate incurring one-time costs associated with our anticipated Exchange Act registration and the listing of our common shares on Nasdaq of approximately $300,000 in 2018, consisting primarily of the Nasdaq listing fee and legal and accounting fees.

Other (Income) Expense

Other (income) expense consists primarily of governmental assistance – research incentives, change in the fair value of our warrants that are accounted for as derivative liabilities, interest income, and foreign currency exchange gains and losses. In 2016, other expense was partially offset by the $250,000 gain recognized from the sale of a previous technology no longer being developed by the Company.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

While our significant accounting policies are more fully described in Note 4 to our consolidated financial statements included elsewhere in this registration statement, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Share-based Compensation

We account for all share-based compensation awards using a fair value method. The cost of employee and non-employee services received in exchange for awards of equity instruments is measured and recognized based on the estimated grant date fair value of those awards. Compensation cost is recognized ratably using the straight-line attribution method over the vesting period, which is considered to be the requisite service period. We record forfeitures in the periods in which they occur.

The fair value of share-based awards is estimated using the Black-Scholes option pricing model. The determination of the fair value of share-based awards is affected by our stock price, as well as assumptions regarding a number of complex and subjective variables. Risk free interest rates are based upon Canadian Government bond rates appropriate for the expected term of each award. Expected volatility rates are based on the on historical volatility equal to the expected life of the option. The assumed dividend yield is zero, as we do not expect to declare any dividends in the foreseeable future. The expected term of options is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past.

The assumptions used in calculating the fair value under the Black-Scholes option valuation model are set forth in the following table for options issued by the Company for the years ended December 31, 2017 and 2016:

	2017	2016
Common share fair value	$0.26 – $0.42	$0.16 – $0.24
Risk-free interest rate	1.1%	0.8%
Expected dividend yield	0%	0%
Expected option life	4.5 years	4.6 years
Expected stock price volatility	84.7 – 156.8%	92.0 – 185.1%

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases. The guidance in ASU 2016-02 supersedes the lease recognition requirements in the Accounting Standards Codification Topic 840, Leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The new standard requires the immediate recognition of all excess tax benefits and deficiencies in the income statement and requires classification of excess tax benefits as an operating activity as opposed to a financing activity in the statements of cash flows. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is evaluating the impact of the new standard on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This ASU is effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. Management is currently evaluating the impact of the new guidance on our consolidated financial statements.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2018 and 2017

The following table summarizes our results of operations for the three and six months ended June 30, 2018 and 2017. We did not have any revenue during those periods. The table below summarizes our expenses (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Research and development	$ 1,070	$ 1,094	$ 1,861	$ 2,166
General and administrative	780	243	1,295	526
Other (income) expense	(131)	(45)	(789)	97

Research and Development Expenses

R&D expenses were $1.1 million for the three months ended June 30, 2018 and 2017. R&D expenses were $1.9 million for the six months ended June 30, 2018, a decrease of approximately $300,000 from $2.2 million in the same period of 2017. This decrease over the comparable prior year-to-date period was due primarily to lower levels of activity and study costs for the REMEDY Phase 2 stroke study as compared with the DM199 bridging study which was in progress during the comparable prior year period.

General and Administrative Expenses

G&A expenses were $780,000 for the three months ended June 30, 2018 compared to $243,000 for the same period in 2017. G&A expenses were $1.3 million for the first half of 2018 compared to $526,000 for the first half of 2017. G&A expenses increased in both periods due to greater usage of outside professional services and increased salaries, fees and short-term benefits due to the addition of staff. Share-based compensation expense increased related to the recognition of expense for awards granted during 2017 and 2018.

Other (Income) Expense

Other (income) expense was $131,000 in income for the three months ended June 30, 2018 compared to $45,000 in income for the same period in 2017. Other (income) expense was $789,000 in income for the six months ended June 30, 2018 compared to $97,000 in expense for the same period in 2017. These increases in other income resulted primarily from the recognition of the R&D incentive from the Australian government for qualifying research work performed by DiaMedica Australia during 2017 and the first half of 2018.

Comparison of the Years Ended December 31, 2017 and 2016

The following table summarizes our results of operations for the years ended December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,	
	2017	**2016**
Research and development	$ 3,206	$ 1,728
General and administrative	1,313	598
Other (income) expense	(259)	(106)

Research and Development Expenses

R&D expenses were $3.2 million for the year ended December 31, 2017 compared to $1.7 million for the year ended December 31, 2016, an increase of $1.5 million. The increase is primarily due to the costs incurred in conjunction with the advancement of the DM199 clinical trial program. Salaries, fees, and short-term benefits and share-based compensation also increased for the year ended December 31, 2017 over the comparable prior year period due to an increase in staff to support the clinical program.

General and Administrative Expenses

G&A expenses were $1.3 million for the year ended December 31, 2017 compared to $598,000 for the year ended December 31, 2016. General and administrative costs increased slightly due to an increase in outsourced services and salaries, fees, and short-term benefits, which were mainly due to an increase in staff. These increases were partially offset by decreased share-based compensation resulting from a reduction in the number of grants during 2017.

Other (Income) Expense

Other (income) expense was $259,000 in income for the year ended December 31, 2017 compared to $106,000 in income for 2016. Other income for 2017 increased due to the recognition of government assistance in the form of the R&D incentive tax credit received from Australia, related to qualifying clinical trial and other research expenses incurred by our Australian subsidiary.

Liquidity, Capital Resources and Going Concern

Since our inception, we have incurred losses while advancing the R&D of our therapeutic product candidates. We have not generated any revenues from product sales and do not expect to do so for a number of years. We do not know when, or if, we will generate any revenue from our product candidates. We do not expect to generate any revenue from sales of our product candidates unless and until we obtain regulatory approval. At the same time, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, our product candidates. In addition, we expect to incur additional costs associated with operating as a U.S. public reporting company. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution. We anticipate that we will need additional funding in connection with our continuing operations.

Since our inception, we have financed our operations from public and private sales of equity, the exercise of warrants and stock options, interest income on funds available for investment, and government grants and tax credits. We had cash totaling $5.7 million and $1.4 million and working capital of $5.0 million and $491,000 as of June 30, 2018 and December 31, 2017, respectively.

On March 29, 2018, we completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to expiration on March 19, 2020 and March 29, 2020 for tranche 1 and tranche 2, respectively. The warrants are subject to early expiration under certain conditions. In connection with the offering, we paid an aggregate cash fee of approximately $384,000 to brokers and issued an aggregate of approximately 1.6 million compensation options. Each compensation option entitles the holder to purchase one common share at $0.245, the offering price, for a period of two years from the closing of the offering, subject to acceleration on the same terms as the warrants issued to the investors.

The report of our independent registered public accounting firm on our December 31, 2017 audited consolidated financial statements includes an explanatory paragraph referring to our ability to continue as a going concern. In the next 12 months, we will likely seek to raise additional funds through various sources, such as equity and debt financings, or through strategic collaborations and license agreements. This additional funding will be required to continue our R&D and other operating activities as we have not reached successful commercialization of our product candidates. These circumstances cast significant doubt as to our ability to continue as a going concern. Our consolidated financial statements have been prepared assuming that we will continue as a going concern. Our future operations are expected to continue to be dependent upon our ability to secure additional funds, negotiate license agreements with partners and/or generate product revenues in order to fully execute our business plan. There can be no assurance that we will be successful in commercializing our products, entering into strategic agreements with partners, raising additional capital on favorable terms or that these or other strategies will be sufficient to permit us to continue as a going concern.

The amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, the potential expansion of our current development programs, potential new development programs and related G&A support. We anticipate that we will seek to fund our operations through public or private equity or debt financings or other sources, such as potential collaboration agreements. We cannot assure you that anticipated additional financing will be available to us on favorable terms, or at all. Although we have previously been successful in obtaining financing through our equity securities offerings, there can be no assurance that we will be able to do so in the future. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted. Debt financing, if available, may involve agreements that include conversion discounts or covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third-party funding, marketing and distribution arrangements or other collaborations, or strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

Cash Flows

Operating Activities

Cash used in operating activities for the six months ended June 30, 2018 was $2.0 million compared to $2.2 million for the six months ended June 30, 2017. This decrease relates primarily to a reduction in the net loss, partially offset by the effects of the changes in operating assets and liabilities.

Cash used in operating activities for the year ended December 31, 2017 was $3.9 million, compared to $3.0 million for the year ended December 31, 2016, an increase of $0.9 million. This increase relates primarily to the increase in net loss, partially offset by an increase in non-cash charges for share-based compensation and the effects of changes in operating assets and liabilities.

Investing Activities

Investing activities consist primarily of purchases of property and equipment. Net cash used in investing activities was $42,000 for the six months ended June 30, 2018 compared to $3,000 for the six months ended June 30, 2017 and was $22,000 for the year ended December 31, 2017 compared to $7,000 for the year ended December 31, 2016.

Financing Activities

Financing activities consist primarily of net proceeds from the sale of common shares and warrants and proceeds from the exercise of stock options and warrants. Net cash provided by financing activities was $6.4 million for the six months ended June 30, 2018 compared to $2.0 million for the six months ended June 30, 2017.

Net cash provided by financing activities was $3.5 million for the year ended December 31, 2017 compared to $4.6 million for the year ended December 31, 2016, a decrease of $1.1 million.

Cash flows from financing activities included net proceeds from the following private placements of our common shares and warrants to purchase common shares:

- On March 29, 2018, we completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to expiration on March 19, 2020 and March 29, 2020 for tranche 1 and tranche 2, respectively. The warrants are subject to early expiration under certain conditions. In connection with the offering, we paid an aggregate cash fee of approximately $384,000 to brokers and issued an aggregate of approximately 1.6 million compensation options. Each compensation option entitles the holder to purchase one common share at $0.245, the offering price, for a period of two years from the closing of the offering, subject to acceleration on the same terms as the warrants issued to the investors.

- On December 18, 2017, we completed a non-brokered private placement of 3,624,408 units at a price of $0.26 per unit for aggregate gross proceeds of approximately $944,000. 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 $0.35 at any time prior to expiration on December 19, 2019, subject to early expiration under certain conditions.

- On April 17, 2017, we completed a non-brokered private placement of 10,526,315 units at a price of $0.19 per unit for aggregate proceeds of approximately $2,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.23 at any time prior to expiration on April 17, 2019. The warrant expiration date can be accelerated at our option in the event that the volume-weighted average trading price of our common shares exceeds $0.30 per common share for any 10 consecutive trading days.

- On September 8, 2016, we completed the second tranche of a non-brokered private placement of 15,000,000 common shares at a price of $0.20 per share for aggregate gross proceeds of $3,000,000.

- On August 22, 2016, we completed the first tranche of a non-brokered private placement of 5,000,000 common shares at a price of $0.20 per share for aggregate gross proceeds of $1,000,000.

- On February 25, 2016, we completed the second tranche of a non-brokered private placement of 875,000 units at a price of $0.117 per unit for aggregate gross proceeds of approximately $101,710. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share at a price of CAD$0.25 at any time prior to expiration of two years from the closing date.

- On February 18, 2016, we completed the first tranche of a non-brokered private placement of 3,812,500 units at a price of $0.117 per unit for aggregate gross proceeds of approximately $445,544. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share at a price of CAD$0.25 at any time prior to expiration of two years from the closing date.

While our rate of future negative cash flow per month will vary due to the timing of expenses incurred, at the current rate of negative cash flow per month we believe that our current cash will enable us to complete our currently ongoing Phase 2 trial in patients with AIS and initiate a Phase 1b trial in patients with CKD. Our future cash requirements will increase if we decide to expand our R&D efforts beyond the currently planned development of DM199.

Commitments and Contingencies

In the normal course of business, we incur obligations to make future payments as we execute our business plan. As of June 30, 2018, we had outstanding commitments, including R&D contracts and other commitments, that are known and committed of approximately $2.4 million over the next 12 months and approximately $700,000 in the following 12 months. These contracts relate to preclinical, clinical, and development activities, including the clinical research organization conducting the Phase II clinical trial for DM199 related to AIS. These commitments are subject to significant change and the ultimate amounts due may be materially different as these obligations are affected by, among other factors, the number and pace of patients enrolled, the number of clinical study sites, amount of time to complete study enrollments and the time required to finalize the analysis and reporting of study results. These commitments are generally cancelable upon 30 days' notice, with our obligation then limited to costs incurred up to that date. As of June 30, 2018, we had future operating lease commitments totaling approximately $260,000 over the remainder of the lease, of which $62,000 is due over the next 12 months.

We have entered into a license agreement with Catalent whereby we have licensed certain gene expression technology and we contract with Catalent for the manufacture of DM199. Under the terms of this license, certain milestone and royalty payments may become due under this agreement and are dependent upon, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain. As of June 30, 2018, two milestones remain which include $185,000 due upon the initiation of dosing in our first Phase III trial and $185,000 upon our first regulatory approval for commercial sale. Following the launch of our first product, we will also incur a royalty of less than 1% on net sales. The royalty term is indefinite but may be canceled by us on 90 days' prior written notice. The license may not be terminated by Catalent unless we fail to make required milestone and royalty payments.

Off-Balance Sheet Arrangements

During 2017 and 2016 and the three months ended June 30, 2018, we did not have any off-balance sheet arrangements (as defined by applicable SEC regulations) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Internal Control Over Financial Reporting

Pursuant to Section 404(a) of the Sarbanes-Oxley Act, commencing the year following our first annual report required to be filed with the SEC, our management will be required to report on the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. To comply with the requirements of being a reporting company under the Exchange Act, we may need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff.

ITEM 3. PROPERTIES.

Our principal executive offices, together with our research and development operations, are at the office of our wholly owned subsidiary, DiaMedica USA Inc., located at 2 Carlson Parkway, Suite 260, Minneapolis, Minnesota, USA 55447. We lease these premises, which consist of approximately 3,800 square feet, pursuant to a lease that expires in August 2022. Our registered Canadian office is located at 301-1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3. The registered office for our Australian subsidiary is located at Level 9, Bourke Street, Melbourne, Victoria, Australia. We believe that our facilities are adequate for our current needs and that suitable additional space will be available as and when needed on acceptable terms.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth information known to us with respect to the beneficial ownership of our common shares as of October 15, 2018 for:

- each person known by us to beneficially own more than five percent of the outstanding shares of our common shares;
- each of our directors;
- each of the executive officers named in the Summary Compensation Table included later in this registration statement under "Executive Compensation;" and
- all of our current directors and executive officers as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, including the right to acquire beneficial ownership of that security within 60 days, including through outstanding options and warrants that are exercisable within 60 days of October 15, 2018. Options and warrants to purchase common shares that are exercisable within 60 days of October 15, 2018 are deemed to be beneficially owned by the persons possessing those rights and are treated as outstanding for the purpose of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage. Except as indicated in the footnotes below, each of the beneficial owners named in the table below has, and upon effectiveness of this registration statement will have, to our knowledge, sole voting and investment power with respect to all common shares listed as beneficially owned by him or her, except for shares owned jointly with that person's spouse. Unless otherwise indicated, the address for each of the shareholders in the table below is DiaMedica Therapeutics Inc., 2 Carlson Parkway, Suite 260, Minneapolis, MN 55447.

Title of Class	Name and Address of Beneficial Owner[1]	Amount and Nature of Beneficial Ownership[2]	Percent of Class
Directors and Officers:			
Common Shares	Richard Pilnik	1,150,000	*
Common Shares	Michael Giuffre, M.D.	3,724,403[3]	2.4%
Common Shares	James Parsons	358,333	*
Common Shares	Zhenyu Xiao, Ph.D.	20,051,667[4]	12.8%
Common Shares	Rick Pauls	3,484,600	2.2%
Common Shares	Todd Verdoorn	778,250	*
Common Shares	All current directors and executive officers as a group (8 persons)	29,817,620	18.3%
Significant Beneficial Owners:			
Common Shares	Hermeda Industrial Co., Limited Level 54 Hopewell Centre 183 Queensroad East Hong Kong	20,000,000[4]	12.8%
Common Shares	CentreStone Ventures, LP 4-1250 Waverley Street Winnipeg, Manitoba R3T 6C6 Canada	14,118,335[5]	9.0%
Common Shares	Nancy Chang 101 Westcott, Unit 603 Houston, TX 77007	13,207,894[6]	8.4%

* Represents beneficial ownership of less than one percent.

(1) The business address for each of the directors and officers is c/o DiaMedica Therapeutics Inc., 2 Carlson Parkway, Suite 260, Minneapolis, MN 55447.

(2) Includes for the persons listed below the following common shares subject to options and warrants held by such persons that are currently exercisable or become exercisable within 60 days of October 15, 2018:

Name	Common Shares Underlying Stock Options	Common Shares Underlying Warrants
Directors		
Richard Pilnik	950,000	—
Michael Giuffre, M.D.	483,333	224,490
James Parsons	358,333	—
Zhenyu Xiao, Ph.D.	51,667	—
Named Executive Officers		
Rick Pauls	2,982,500	41,000
Todd Verdoorn	758,250	—
All current directors and executive officers as a group (8 persons)	5,793,250	285,890

Excludes common shares issuable upon the settlement of deferred share units held by: Pilnik (151,767 common shares); Giuffre (82,924 common shares); Parsons (77,000 common shares); Xiao (77,000 common shares); and Pauls (34,985 common shares).

(3) Includes: (i) 103,300 common shares held by 424822 Alberta Ltd, Michael Giuffre, M.D. has sole voting and dispositive power over the common shares held by 424822 Alberta Ltd., (ii) 729,964 common shares Dr. Giuffre and his wife hold jointly, (iii) 1,083,716 common shares held by Dr. Giuffre's sons and daughters, (iv) 421,400 common shares held by Dr. Giuffre's wife and (v) 678,200 common shares held directly by Dr. Giuffre.

(4) Includes 20,000,000 common shares held by Hermeda Industrial Co., Limited. Zhenyu Xiao, Ph.D. is the Managing Director of Hermeda Industrial Co., Limited and has sole voting and dispositive power over the common shares held by Hermeda Industrial Co., Limited.

(5) Albert D. Friesen, the managing director of CentreStone Ventures, Inc., has sole voting and dispositive power over the common shares held by CentreStone Ventures, LP.

(6) Includes 789,390 shares held by the Chang Family Foundation. Nancy Chang has sole voting and dispositive power over the common shares held by Chang Family Foundation. Also includes 50,000 common shares subject to an option that is currently exercisable or becomes exercisable within 60 days of October 15, 2018.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS.

The following table sets forth information as of October 15, 2018 regarding each of our current executive officers and directors:

Name	Age	Positions
Rick Pauls	47	President and Chief Executive Officer, Director
Scott Kellen	53	Chief Financial Officer and Secretary
Todd Verdoorn, Ph.D.	57	Chief Scientific Officer
Harry Alcorn, Pharm.D.	62	Chief Medical Officer
Richard Pilnik[(1)(2)(3)]	61	Chairman of the Board
Michael Giuffre, M.D.[(1)(2)(3)]	63	Director
James Parsons[(1)(2)(3)]	53	Director
Zhenyu Xiao, Ph.D.	44	Director

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Governance and Nominating Committee.

The present principal occupations and recent employment history of each of our executive officers and directors are set forth below. Pursuant to the CBCA, at least 25% of our directors must be resident Canadians.

Executive Officers

Rick Pauls was appointed our President and Chief Executive Officer in January 2010. Mr. Pauls has served as a member of our Board of Directors since April 2005 and the Chairman of the Board from April 2008 to July 2014. Prior to joining DiaMedica, Mr. Pauls was the Co-Founder and Managing Director of CentreStone Ventures Inc., a life sciences venture capital fund, from February 2002 until January 2010. Mr. Pauls was an analyst for Centara Corporation, another early stage venture capital fund, from January 2000 until January 2002. From June 1997 until November 1999, Mr. Pauls worked for General Motors Acceptation Corporation specializing in asset-backed securitization and structured finance. Mr. Pauls previously served as an independent member of the board of directors of LED Medical Diagnostics, Inc. Mr. Pauls 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.

We believe that Mr. Pauls's experience in the biopharmaceutical industry as an executive and investor and his extensive knowledge of all aspects of our company, business, industry, and day-to-day operations as a result of his role as our President and Chief Executive Officer enable him to make valuable contributions to our Board of Directors. In addition, as a result of his role as President and Chief Executive Officer, Mr. Pauls provides unique insight into our future strategies, opportunities and challenges, and serves as the unifying element between the leadership and strategic direction provided by our Board of Directors and the implementation of our business strategies by management.

Scott Kellen was appointed our Chief Financial Officer and Secretary in April 2018. Prior to joining DiaMedica, Mr. Kellen served as Vice President and Chief Financial Officer of Sun BioPharma, Inc., a publicly-traded clinical stage drug development company, from October 2015 until April 2018. From February 2010 to September 2015, Mr. Kellen served as Chief Financial Officer and Secretary of Kips Bay Medical, Inc., a publicly-traded medical device company, and became Chief Operating Officer of Kips Bay in March 2012. From November 2007 to May 2009, Mr. Kellen served as Finance Director of Transoma Medical, Inc. From 2005 to October 2007, Mr. Kellen served as Corporate Controller of ev3 Inc. From March 2003 to April 2005, Mr. Kellen served as Senior Manager, Audit and Advisory Services of Deloitte & Touche, LLP. Altogether, Mr. Kellen has spent more than 25 years in the life sciences industry, focusing on publicly traded early stage and growth companies. Mr. Kellen has a Bachelor of Science degree in Business Administration from the University of South Dakota and is a Certified Public Accountant (inactive).

Todd Verdoorn, Ph.D. was appointed our Chief Scientific Officer in May 2016. From January 2016 to April 2016, Dr. Verdoorn served as our Vice President, Neuroscience. Prior to joining DiaMedica, Dr. Verdoorn served as Chief Scientist at Intuitive Quantitation, LLC, a company that provides strategic and tactical leadership for companies creating new treatments, from May 2013 to December 2016. From September 2011 to May 2013, Dr. Verdoorn served as Vice President, Neurobiology at NeuroTherapeutics Pharma, Inc., a company that develops and markets therapeutics. From January 2008 to August 2011, Dr. Verdoorn served as Chief Scientist for Orasi Medical, Inc., a medical device company. From June 2007 to January 2008, Dr. Verdoorn served as Chief Scientific Officer for Smart Bioscience SAS, a company that discovers and develops small-molecule therapeutics. Prior to joining Smart Bioscience, Dr. Verdoorn served as Chief Scientific Officer at Algos Preclinical Services, Inc., a research and consulting company, from January 2003 to June 2007. Dr. Verdoorn has more than 26 years of experience working with both public and private companies to develop new treatments for neurological diseases, including five years working with Bristol-Myers Squibb's stroke group. Dr. Verdoorn has a Bachelor of Arts degree in Chemistry from Central College and he earned his Ph.D. in Neurobiology from the University of North Carolina, conducting his post-doctoral research at the Max Planck Institute with Nobel Laureate Dr. Bert Sakmann and served as Associate Professor of Pharmacology at Vanderbilt University School of Medicine.

Harry Alcorn Jr. Pharm.D. was appointed our Chief Medical Officer in August 2018. Prior to joining DiaMedica, Dr. Alcorn served as Chief Scientific Officer at DaVita Clinical Research ("DCR"), a company that provides clinical research services for Pharmaceutical and Biotech companies, from October 1997 to June 2018. While at DCR, Dr. Alcorn was responsible for clinical research operations, including the formation and management of the early clinical and late phase research services. Dr. Alcorn also founded the U.S. Renal Network, the first network of Phase 1 renal research sites in the United States. Dr. Alcorn developed DCR's site management organization for clinical trials. Dr. Alcorn also served as an Executive Director, a Pharmacist and an Investigator at DCR. During this time, from Jan 2013 to December 2014, he also served on the Board of Directors for the Association of Clinical Pharmacology Units, an association of Phase I clinical trial sites. Dr. Alcorn has over 30 years of clinical research experience working with Biotech and Pharmaceutical companies, both public and private, in conducting research in renal, hepatic and cardiovascular disease. Dr. Alcorn has written and consulted on the development of several protocols and has served as Principal Investigator or Sub Investigator in numerous studies and, for several of these studies, presented study design and results to the FDA. Currently he holds clinical faculty appointments with the University of Minnesota, Creighton University, University of Nebraska Medical Center, Virginia Commonwealth and the University of Colorado, Denver. Dr. Alcorn graduated from Creighton University with a Bachelor of Pharmacy and went on to earn his Doctor of Pharmacy degree from University of Nebraska Medical Center.

Non-Employee Directors

Richard Pilnik has served as a member of our board of directors since January 2009. Mr. Pilnik serves as our Chairman of the Board. Mr. Pilnik has served as the President and member of the board of directors of Vigor Medical Services, Inc., a medical device company, since May 2017. From December 2015 to November 2017, Mr. Pilnik served as a member of the board of directors of Chiltern International Limited, a private leading mid-tier Clinical Research Organization, and was Chairman of the Board from April 2016 to November 2017. Mr. Pilnik has a 30-year career in healthcare at Eli Lilly and Company, a pharmaceutical company, and Quintiles Transnational Corp., a global pioneer in pharmaceutical services. From April 2009 to June 2014, Mr. Pilnik served as Executive Vice President and President of Quintiles Commercial Solutions, an outsourcing business to over 70 pharma and biotech companies. Prior to that, he spent 25 years at Eli Lilly and Company where he held several leadership positions, most recently as Group Vice President and Chief Marketing Officer from May 2006 to July 2008. Mr. Pilnik was directly responsible for commercial strategy, market research, new product planning and the medical marketing interaction. From December 2000 to May 2006, Mr. Pilnik served as President of Eli Lilly Europe, Middle East and Africa and the Commonwealth of Independent States, a regional organization of former Soviet Republics, and oversaw 50 countries and positioned Eli Lilly as the fastest growing pharmaceutical company in the region. Mr. Pilnik also held several marketing and sales management positions in the United States, Europe and Latin America. Mr. Pilnik currently serves on the board of directors of Vigor Medical Systems, Inc., NuSirt, an early-stage biopharma, and the Duke University Fuqua School of Business. Mr. Pilnik previously served on the board of directors of Elan Pharmaceuticals, Chiltern International, the largest mid-size Clinical Research Organization, and Certara, L.P., a private biotech company focused on drug development modeling and biosimulation. Mr. Pilnik holds a Bachelor of Arts in Economics from Duke University and an MBA from the Kellogg School of Management at Northwestern University.

We believe that Mr. Pilnik's deep experience in the industry and his history and knowledge of our company enable him to make valuable contributions to our Board of Directors.

Michael Giuffre, M.D. has served as a member of our Board of Directors since August 2010. Since July 2009, Dr. Giuffre has served as a Clinical Professor of Cardiac Sciences and Pediatrics at the University of Calgary and has had an extensive portfolio of clinical practice, cardiovascular research and university teaching. Dr. Giuffre is actively involved in health care delivery, medical leadership and in the biotechnology business sector. Since 2012, Dr. Giuffre has served as the Chief Scientific Officer and a member of the board of directors of FoodChek Systems Inc. and in November 2017, he became Chairman of the Board. Dr. Giuffre also serves as President of FoodChek Laboratories Inc. Dr. Giuffre previously served on the board of directors of the Canadian Medical Association (CMA), Unicef Canada, the Alberta Medical Association (AMA), Can-Cal Resources Ltd, Vacci-Test Corporation, IC2E International Inc. and MedMira Inc. Dr. Giuffre has received a Certified and Registered Appointment and a Distinguished Fellow appointment by the American Academy of Cardiology (FACC). In 2005, he was awarded Physician of the Year by the Calgary Medical Society and in 2017 was "Mentor of the Year" for the Royal College of Physicians and Surgeons of Canada. Dr. Giuffre was also a former President of the AMA and the Calgary and Area Physicians Association and also a past representative to the board of the Calgary Health Region. Dr. Giuffre holds a Bachelor of Science in cellular and microbial biology, a Ph.D. candidacy in molecular virology, an M.D. and an M.B.A. He is Canadian Royal College board certified in specialties that include Pediatrics and Pediatric Cardiology and has a subspecialty in Pediatric Cardiac Electrophysiology. Dr. Giuffre is a member of the board of directors of Avenue Living, a private real estate company in Calgary, Alberta, Canada and its affiliates, Avondale Real Estate Capital Ltd. and AgriSelect Land Capital, Ltd., both private real estate companies in Calgary, Alberta Canada. Dr. Giuffre is a resident of Canada.

We believe that Dr. Giuffre's medical experience, including as a practicing physician and professor, enable him to make valuable contributions to our Board of Directors.

James Parsons has served as a member of our Board of Directors since October 2015. Previously, Mr. Parsons served as our Vice President of Finance from October 2010 until May 2014. Since August 2011, Mr. Parsons has served as Chief Financial Officer and Corporate Secretary of Trillium Therapeutics Inc., a Nasdaq-listed immuno-oncology company. Mr. Parsons serves as a member of the board of directors and audit committee chair of Sernova Corp., which is listed on the TSX-V. Mr. Parsons has been a Chief Financial Officer in the life sciences industry since 2000 with experience in therapeutics, diagnostics and devices. Mr. Parsons has a Master of Accounting degree from the University of Waterloo and is a Chartered Professional Accountant and Chartered Accountant. Mr. Parsons is a resident of Canada.

We believe that Mr. Parsons' financial experience, including his history and knowledge of our company, enable him to make valuable contributions to our Board of Directors.

Zhenyu Xiao, Ph.D. has served as a member of our Board of Directors since November 2016. Dr. Xiao was elected to our Board of Directors in connection with the equity investment by Hermeda Industrial Co., Limited and is its designee to the Board of Directors under an investment agreement which is described in more detail under "Item 7. Certain Relationships and Related Transactions, and Director Independence." Dr. Xiao has been the Chief Executive Officer of Hermed Equity Investment Management (Shanghai) Co., Ltd., a private equity fund. From June 2008 to November 2014, Dr. Xiao was the Associate General Manager of Shanghai Fosun Pharmaceutical Group Co Ltd., a pharmaceutical manufacturing company, where he was the deputy chief of the IPO team for the Fosun Pharma Listing in Hong Kong Exchange and the deputy director of Fosun Pharmaceutical Technological Center in charge of evaluating new technology and R&D and investment. Dr. Xiao has a Ph.D. degree in Pharmacology and conducted his postdoctoral research at University of Rochester (NY), co-founding a pharmaceutical company with Dr. Paul Okunieff and winning Small Business Technology Transfer support, a U.S. Small Business Administration program to facilitate joint venture opportunities between small businesses and non-profit research institutions.

We believe that Dr. Xiao's experience in the industry, including as an investor, enable him to make valuable contributions to our Board of Directors.

ITEM 6. EXECUTIVE COMPENSATION.

Executive Compensation Overview

The Compensation Committee of our Board of Directors administers our executive compensation programs on behalf of our Board of Directors. The Compensation Committee has a charter that will be reviewed and updated annually, or as may be warranted from time to time. The current members of the Compensation Committee are Michael Giuffre, M.D. (Chair), James Parsons and Richard Pilnik.

This section addresses the compensation of our President and Chief Executive Officer and our only other executive officer as of December 31, 2017:

- Rick Pauls, our President and Chief Executive Officer; and
- Todd Verdoorn, Ph.D., our Chief Scientific Officer.

The above executive officers are collectively referred to as the named executive officers.

The elements of the compensation program for our named executive officers include:

- base salary;
- long-term equity-based incentive compensation;
- annual incentive compensation; and
- other compensation, including certain health, welfare and retirement benefits and, when determined necessary, limited perquisites.

The named executive officers also have termination and change in control benefits as set forth in their respective employment agreements. See "–Post-Termination Severance and Change in Control Arrangements."

When reading this Executive Compensation Overview, please note that we are an emerging growth company under the JOBS Act and are not required to provide a "Compensation Discussion and Analysis" of the type required by Item 402 of Regulation S-K. This Executive Compensation Overview is intended to supplement the SEC-required disclosure, which is included below this section, and it is not a Compensation Discussion and Analysis.

Base Salary

We provide a base salary for our named executive officers, which, unlike some of the other elements of our executive compensation program, is not subject to company or individual performance risk. We recognize the need for most executives to receive at least a portion of their total compensation in the form of a guaranteed base salary that is paid in cash regularly throughout the year. The base salaries set for our named executive officers are intended to provide a steady income regardless of share price performance, allowing executives to focus on both near-term and long-term goals and objectives without undue reliance on short term share price performance or market fluctuations.

We initially fix base salaries for our executives at a level that we believe enables us to hire and retain them in a competitive environment and to reward satisfactory individual performance and a satisfactory level of contribution to our overall business objectives. The Compensation Committee reviews and approves any increases in base salaries for our named executive officers.

The Compensation Committee has the authority to engage the services of outside experts and advisors as it deems necessary or appropriate to carry out its duties and responsibilities, and prior to doing so, assesses the independence of such experts and advisors from management.

Our Chief Executive Officer assists the Compensation Committee in gathering compensation related data regarding our executive officers and making recommendations to the Compensation Committee regarding the form and amount of compensation to be paid to each executive officer. In addition, the Compensation Committee has retained 21-Group, a compensation consultant, to assist in the design and review of certain aspects of our executive compensation program. The 21-Group does not provide any services to our company other than those for which it has been retained by the Compensation Committee.

In making final decisions regarding compensation to be paid to our executive officers, the Compensation Committee considers the recommendations of our Chief Executive Officer, the data compiled and recommendations of the 21-Group, as well as its own views as to the form and amount of compensation to be paid, the general performance of our company and the individual officers, the performance of our common share price and other factors that may be relevant. Final deliberations and decisions by the Compensation Committee regarding the form and amount of compensation to be paid to our executive officers, including our Chief Executive Officer, are made by the Compensation Committee, without the presence of the Chief Executive Officer or any other executive officer of our company.

Annualized base salary rates for each of our named executive officers for fiscal 2017 and the current fiscal 2018 are as follows:

Name	Fiscal 2017	Fiscal 2018	% Change From Fiscal 2017
Rick Pauls	$ 280,000	$ 345,000	23
Todd Verdoorn	200,000	240,000	20

Long-Term Equity-Based Incentive Compensation

The long-term equity-based incentive compensation component consists of stock options granted under the DiaMedica Therapeutics Inc. Stock Option Plan, or Stock Option Plan, which generally vest quarterly over a three-year period and deferred share units, or DSUs, granted under the DiaMedica Therapeutics Inc. Deferred Share Unit Plan, or DSU Plan. These plans are designed to give each option and DSU holder an interest in preserving and maximizing shareholder value in the long term, to enable us to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. Long-term equity-based incentives are intended to comprise a significant portion of each executive's compensation package, consistent with our executive compensation objective to align the interests of our executives with the interests of our shareholders.

The Compensation Committee uses stock options as a portion of the long-term equity based incentive compensation component since the Compensation Committee believes that options effectively incentivize executives to maximize company performance, as the value of awards is directly tied to an appreciation in the value of our common shares. Stock options also provide an effective retention mechanism because of vesting provisions. An important objective of our long-term equity-based incentive program is to strengthen the relationship between the long-term value of our common shares and the potential financial gain for our executives. Stock options provide recipients with the opportunity to purchase our common shares at a price fixed on the grant date regardless of future market price. Because stock options become valuable only if the share price increases above the exercise price and the option holder remains employed during the period required for the option to vest, they provide an incentive for an executive to remain employed. In addition, stock options link a portion of an executive's compensation to the interests of our shareholders by providing an incentive to achieve corporate goals and increase the market price of our common shares over the vesting period.

The Compensation Committee previously used DSUs as a portion of the long-term equity-based incentive compensation component in order to provide an alternative form of compensation to satisfy annual and special bonuses payable to our executive officers. The DSU Plan provided that the Board of Directors may, from time to time, issue DSUs to our executive officers at the time of declaring or awarding any bonuses. The number of DSUs granted was determined by dividing the applicable bonus amount by the fair market value of our common shares as of the last trading day before the award date as calculated. No DSUs were granted during 2017 or to date during 2018.

The table below sets forth the stock options that we granted to our named executive officers in 2017 and to date in 2018:

Name	Grant Date	Number of Shares Underlying Options	Exercise Price CAD$
Rick Pauls	06/19/17	850,000	0.32
	04/17/18	670,000	0.56
Todd Verdoorn	06/19/17	500,000	0.32
	04/17/18	435,500	0.56

Annual Incentive Compensation

In addition to base salary and long-term equity based incentive compensation, we provide our named executive officers the opportunity to earn annual incentive compensation based on the achievement of certain company and individual related performance goals. Our annual bonus program directly aligns the interests of our executive officers and shareholders by providing an incentive for the achievement of key corporate and individual performance measures that are critical to the success of our company and linking a significant portion of each executive's annual compensation to the achievement of such measures.

All Other Compensation

It is generally our policy not to extend significant perquisites to our executives that are not available to our employees generally. Our executives receive benefits that are also received by our other employees, including participation in the DiaMedica USA, Inc. 401(k) Plan and health, dental, disability and life insurance benefits.

Employment Agreements

In September 2018, we entered into an employment agreement with each of our executive officers, which provides for an annual base salary, subject to periodic reviews, discretionary bonus and incentive based compensation, equity-based compensation, and benefits, in each case as determined by the Board of Directors (or a committee thereof) from time to time. The agreements contain standard confidentiality, non-competition, non-solicitation and assignment of intellectual property provisions. The agreements also contains standard severance and change in control provisions which are described under "—Post-Termination Severance and Change in Control Arrangements."

Post-Termination Severance and Change in Control Arrangements

Severance Arrangements

Under the terms of the employment agreements with our executive officers, if we terminate the executive's employment without "cause", the executive will be entitled to salary continuation payments for 12 months in the case of Mr. Pauls and nine months in the case of each of the other executives, COBRA premium reimbursement during the salary continuation period, a pro rata portion of his target annual bonus for the year of termination, and immediate acceleration of his equity awards, as severance, subject to executing a separation agreement and release of claims. "Cause" is defined in the employment agreements as: (i) gross negligence or willful failure to perform the executive's duties and responsibilities to the Company; (ii) commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company; (iii) conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude; (iv) material breach by the executive of any of his obligations under the agreement or any written agreement or covenant with the Company, including the policies adopted from time to time by the Company applicable to all executives, that has not been cured within 30 days of notice of such breach; or (v) we terminate the employment of the executive in connection with a liquidation, dissolution or winding down of the Company.

We believe that the form and amount of these severance benefits are fair and reasonable to both the Company and our executives. The Compensation Committee intends to review our severance arrangements periodically to ensure that they remain necessary and appropriate.

Change in Control Arrangements

To encourage continuity, stability and retention when considering the potential disruptive impact of an actual or potential corporate transaction, we have established change in control arrangements, including provisions in our Stock Option Plan and executive employment agreements. These arrangements are designed to incentivize our executives to remain with our company in the event of a change in control or potential change in control.

Under the terms of the employment agreements that we entered into with our executives in September 2018, if we terminate the executive's employment without "cause" or the executive terminates his employment with "good reason" in connection with or within 12 months after a "change in control," the executive will be entitled to salary continuation payments for 18 months in the case of Mr. Pauls and 12 months in the case of each of the other executives, COBRA premium reimbursement during the salary continuation period, a pro rata portion of his target annual bonus for the year of termination, and immediate acceleration of his equity awards, as severance, subject to executing a separation agreement and release of claims.

"Good reason" is defined in the employment agreements as the executive's resignation within 30 days following the expiration of any cure period following the occurrence of one or more of the following, without the executive's express written consent: (i) a material

reduction of the executive's duties, authority, reporting level, or responsibilities, relative to his duties, authority, reporting level, or responsibilities in effect immediately prior to such change in control; (ii) a material reduction in the executive's base compensation; or (iii) the Company's requiring of the executive to change the principal location at which the executive is to perform services by more than 50 miles.

"Change in control" is defined in the employment agreements as the occurrence of any of the following: (i) the acquisition, other than from us, by any individual, entity or group of beneficial ownership of 50% or more of either our then outstanding common shares or the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors; (ii) the consummation of a reorganization, merger or consolidation of the Company, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of our common shares and voting securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, of then outstanding common shares and the combined voting power of then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation; or (iii) the sale or other disposition of all or substantially all of our assets.

We believe these change in control arrangements are an important part of our executive compensation program in part because they mitigate some of the risk for executives working in a smaller company where there is a meaningful risk that the company may be acquired. Change in control benefits are intended to attract and retain qualified executives who, absent these arrangements and in anticipation of a possible change in control of our company, might consider seeking employment alternatives to be less risky than remaining with our company through the transaction. We believe that the form and amount of these change in control benefits are fair and reasonable to both our company and our executives. The Compensation Committee intends to review our change in control arrangements periodically to ensure that they remain necessary and appropriate.

Indemnification Agreements

We have entered into indemnification agreements with all of our executive officers. The indemnification agreements are governed exclusively by and construed according to the substantive laws of the Canada, without regard to conflicts-of-laws principles that would require the application of any other law, and provide, among other things, for indemnification, to the fullest extent permitted by law and our by-laws, against any and all expenses (including attorneys' fees) and liabilities, judgments, fines and amounts paid in settlement that are paid or incurred by the executive or on his or her behalf in connection with such action, suit or proceeding. We will be obligated to pay these amounts only if the executive acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company and, in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. The indemnification agreements provide that the executive will not be indemnified and expenses advanced with respect to an action, suit or proceeding initiated by the executive unless (i) so authorized or consented to by our Board of Directors or the company has joined in such action, suit or proceeding or (ii) the action, suit or proceeding is one to enforce the executive's rights under the indemnification agreement. Our indemnification and expense advance obligations are subject to the condition that an appropriate person or body not party to the particular action, suit or proceeding shall not have determined that the executive is not permitted to be indemnified under applicable law. The indemnification agreements also set forth procedures that apply in the event an executive requests indemnification or an expense advance.

Summary Compensation Table

The table below provides summary information concerning all compensation awarded to, earned by or paid to our named executive officers during our 2017 and 2016 fiscal years. We did not have any officers during the year ended December 31, 2017, other than Rick Pauls and Todd Verdoorn, Ph.D.

Name and Principal Position	Year	Salary	Bonus	Option Awards[3]	All Other Compensation[4]	Total
Rick Pauls[1]	2017	$ 280,000	$ 36,667	$ 167,738	$ 17,550	$ 501,956
President and Chief Executive Officer	2016	276,250	—	100,196	11,400	387,846
Todd Verdoorn, Ph.D.[2]	2017	200,000	40,000	98,670	7,200	345,870
Chief Scientific Officer	2016	164,792	—	58,939	4,250	227,981

(1) Mr. Pauls is also a director of the company and did not receive any compensation related to his role as a director.

(2) Dr. Verdoorn became a consultant to the company and was appointed as our Vice President of Neuroscience on January 20, 2016 and became an employee of the company and was promoted to Chief Scientific Officer on May 9, 2016. The portion of his 2016 salary for the period during which he served as a consultant was paid in the form of consulting fees.

(3) Amounts reflect the full grant-date fair value of stock options granted during the applicable year computed in accordance with Accounting Standards Codification (ASC) Topic 718, rather than the amounts paid to or realized by the named individual. The grant date fair value is determined based on our Black-Scholes option pricing model. The table below sets forth the specific assumptions used in the valuation of each such option award:

Grant Date	Grant Date Fair Value Per Share ($)	Risk Free Interest Rate	Expected Life	Expected Volatility	Expected Dividend Yield
06/19/2017	$ 0.248	0.98%	4.4 years	119.0%	—
11/28/2016	0.158	1.01%	5.5 years	112.5%	—

There can be no assurance that unvested awards will vest (and, absent vesting and exercise, no value will be realized by the executive for the award).

(4) The amounts shown in the "All Other Compensation" column for fiscal 2017 include the following with respect to each named executive officer:

Name	401(k) Match	Health Savings Account Contribution	Total
Rick Pauls	$ 10,800	$ 6,750	$ 17,550
Todd Verdoorn, Ph.D.	7,200	—	7,200

Outstanding Equity Awards at Fiscal Year-End

The following table presents for each named executive officer information regarding outstanding equity awards held as of December 31, 2017.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable[1]	Option Exercise Price CAD($)	Option Expiration Date[2]	Number of Shares or Units of Stock That Have Not Vested[3]	Market Value of Shares or Units of Stock That Have Not Vested[4] ($)
Rick Pauls						
Stock Options	200,000	—	1.15	10/06/2021		
	200,000	—	1.70	02/15/2022		
	200,000	—	1.07	06/25/2023		
	900,000	450,000	0.15	12/01/2025		
	283,333	566,667	0.26	11/28/2026		
	141,667	708,333	0.32	06/19/2027		
DSUs					34,985	$ 8,069
Todd Verdoorn, Ph.D.						
Stock Options	96,000	48,0000	0.15	12/01/2025	—	—
	166,667	333,333	0.26	11/28/2026		
	83,333	416,667	0.32	06/19/2027		

(1) All stock options vest in 12 equal quarterly installments over three years.

(2) All stock options have a 10-year term, but may terminate earlier if the recipient's employment or service relationship with our company terminates.

(3) All DSU awards are settled after the recipient's employment or service relationship with our company terminates.

(4) The market value of DSU awards that have not vested as of December 31, 2017 is based on the closing sale price of our common shares as reported by the TSX-V on the last trading day of our fiscal year, December 29, 2017 (CAD$ to US$ fixed rate $0.7953).

Non-Employee Director Compensation

The table below provides summary information concerning the compensation of each individual who served as a director of our company during the fiscal year ended December 31, 2017, other than Rick Pauls, our President and Chief Executive Officer, who was not compensated separately for serving on the Board of Directors during fiscal 2017. His compensation during fiscal 2017 for serving as an executive officer of our company is set forth under "—Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)	Option Awards[(1)] ($)	Stock Awards ($)	All Other Compensation ($)	Total ($)
Michael Giuffre, M.D.	15,906	19,723	—	—	35,629
James Parsons	15,906	19,723	—	—	35,629
Richard Pilnik	31,812	19,723	—	—	51,535
Zhenyu Xiao	15,906	19,723	—	—	35,629

(1) On June 19, 2017, each non-employee director received a stock option to purchase a 100,000 common shares at an exercise price of CAD$0.32 per share granted under our Stock Option Plan. Such option expires on June 19, 2027 and vests in 12 equal quarterly installments over three years. The amounts reflected represent the grant date fair value for option awards granted to each non-employee director computed in accordance with FASB ASC Topic 718.

We use a combination of retainer fees and long-term equity-based incentive compensation in the form of stock option grants to attract and retain qualified candidates to serve on the Board of Directors. For fiscal 2017, each of our non-employee directors earned annual retainers and meeting fees. Each non-employee director earned a $13,918 annual retainer and the Chair of our Audit Committee and Compensation Committee earned an additional $1,988 annual retainer. The Chairman of the Board earned an additional $15,906. The annual retainers were accrued and unpaid as of December 31, 2017. All of our directors are reimbursed for travel expenses for attending meetings and other miscellaneous out-of-pocket expenses incurred in performing their Board functions.

For the reasons noted above, long-term equity based incentive compensation is a significant component of how we compensate directors. Directors generally receive annual grants with a fair market value equivalent to their cash compensation. These grants vest in 12 equal quarterly installments over three years and expire on the tenth anniversary of the grant date.

We entered into indemnification agreements with all of our directors, which are nearly identical to the indemnification agreements with our executive officers as described under "—Executive Compensation Overview—Indemnification Agreements."

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Person Relationships and Transactions

Other than as described below or under Item 6. "Executive Compensation," we have not identified any transactions since January 1, 2016 to which we have been a party, in which the amount involved exceeded or will exceed the lesser of $120,000 or 1% of the average of our total assets at year end for the last two fiscal years, and in which any of our executive officers, directors or holders of more than 5% of our common shares, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

Participation in Private Placement

On March 29, 2018, we completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to expiration on March 19, 2020 and March 29, 2020 for tranche 1 and tranche 2, respectively.

Rick Pauls, our President and Chief Executive Officer and a member of our Board of Directors, Scott Kellen, our Chief Financial Officer, and Michael Giuffre, M.D., a member of our Board of Directors, each participated in the offering on the same terms and conditions as other investors, as set forth in the table below:

Name	Purchase Price	Number of Common Shares	Number of Common Shares Underlying Warrants
Rick Pauls	$ 20,090	82,000	41,000
Scott Kellen	10,000	40,800	224,490
Michael Giuffre, M.D.	110,000	448,980	20,400
Total	$ 140,090	571,780	285,890

Relationship with Hermeda Industrial Co., Limited

We and Hermeda Industrial Co., Limited ("Hermeda") are parties to an investment agreement, which includes terms relating to the composition of our Board of Directors. Under director nomination provisions of this agreement, Hermeda has the right to designate a representative to be nominated to our Board of Directors for so long as Hermeda beneficially owns at least 10% of our outstanding common shares on a non-diluted basis, and we agreed to use our reasonable best efforts to cause the Hermeda designee to be elected. As of October 15, 2018, Hermeda beneficially owned 12.8% of our outstanding common shares. Zhenyu Xiao, Ph.D., one of our directors, is the Managing Director of Hermeda and is the current designee of Hermeda under the investment agreement. In the event Hermeda has no representative on our Board of Directors and beneficially owns at least 10% of our outstanding common shares, on a non-diluted basis, and provides notice to us of its representative, we shall take such steps that are necessary for our Board of Directors to appoint the representative as a member of our Board of Directors.

To induce Hermeda to enter into the investment agreement, two members of our Board of Directors, Rick Pauls and Michael Giuffre, M.D., and certain of their related parties entered into voting agreements with DiaMedica pursuant to which these individuals agreed to vote their DiaMedica common shares in favor of the Hermeda designee to the Board of Directors at the then next annual general meeting of shareholders.

Director Independence

Following the effectiveness of this registration statement, our common shares will be listed on Nasdaq. Our Board of Directors has determined that all of our directors, other than Mr. Pauls, our President and Chief Executive Officer, are "independent directors" within the meaning of the rules of the Nasdaq Stock Market. Each member of our Audit Committee and Compensation Committee is an independent director within the meaning of the rules of the Nasdaq Stock Market and meets the standards for independence required by U.S. securities law requirements applicable to public companies, including Rule 10A-3 of the Exchange Act with respect to Audit Committee members and Rule 10C-1 under the Exchange Act, with respect to Compensation Committee members. In addition, each member of the Nominating and Corporate Governance Committee is also an independent director.

ITEM 8. LEGAL PROCEEDINGS.

In March 2013, we entered into a clinical research agreement with PRA to perform a double-blinded, placebo-controlled, single-dose and multiple-dose study to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and proof of concept of DM199 in healthy subjects and in patients with Type 2 diabetes mellitus. In one arm of this study, we enrolled 36 patients with Type 2 diabetes who were treated with two subcutaneous dose levels of DM199 over a 28-day period. This study achieved its primary endpoint and demonstrated that DM199 was well-tolerated. The secondary endpoints for this study, however, were not met. The secondary efficacy endpoints were confounded due to what we believe were significant execution errors caused by protocol deviations occurring at the clinical trial site that were unable to be reconciled. To date, we have been unable to obtain the complete study records from PRA and generate a final study report. On November 14, 2017, we initiated litigation with PRA in the United States District Court, Southern District of New York, to compel them to comply with the terms of the clinical research agreement, including providing full study records and to recover damages. After PRA objected to the venue, on August 24, 2018, we re-filed our complaint against PRA in the United States District Court, District of Delaware. The complaint alleges, among other things, that PRA failed to conduct the study in accordance with the study protocol and with generally accepted standards for conducting such clinical trials and that PRA further refused to provide us with all data, records and documentation, and/or access thereto, related to the study in accordance with the clinical trial study agreement. The complaint seeks to compel PRA to comply with the terms of the clinical trial study agreement, including providing full study records and to recover damages.

From time to time, we may be subject to other various ongoing or threatened legal actions and proceedings, including those that arise in the ordinary course of business, which may include employment matters and breach of contract disputes. Such matters are subject to many uncertainties and to outcomes that are not predictable with assurance and that may not be known for extended periods of time. In the opinion of management, the outcome of such routine ongoing litigation is not expected to have a material adverse effect on our results of operations or financial condition.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

Our common shares are currently traded in Canada on the TSX-V under the trading symbol "DMA" and over-the-counter in the United States on the OTCQB marketplace under the trading symbol "DMCAF." We have applied to list our common shares on Nasdaq under the trading symbol "DMAC." The following table sets for the quarterly high and low market closing prices of our common shares on the TSX-V and the OTCQB marketplace for the fiscal quarter indicated. We have converted the trading prices on the TSX-V to U.S. dollars using the average exchange rate for the fiscal quarter of the corresponding high or low sales price. In quarters in which the high or low sales price occurred on multiple dates the exchange rate for the latest occurrence is used for purposes of converting the U.S. dollar amount.

	TSX Venture Exchange				OTCQB	
	High (CAD$)	High (US$)	Low (CAD$)	Low (US$)	High (US$)	Low (US$)
Fiscal 2018						
Fourth Quarter (through October 15, 2018)	$ 0.58	$ 0.45	$ 0.51	$ 0.39	$ 0.46	$ 0.40
Third Quarter	$ 0.88	$ 0.67	$ 0.47	$ 0.36	$ 0.67	$ 0.36
Second Quarter	0.80	0.62	0.38	0.29	0.61	0.30
First Quarter	.046	0.36	0.21	0.17	0.35	0.22
Fiscal 2017						
Fourth Quarter	$ 0.43	$ 0.34	$ 0.29	$ 0.23	$ 0.35	$ 0.19
Third Quarter	0.42	0.34	0.23	0.18	0.34	0.18
Second Quarter	0.38	0.28	0.24	0.18	0.29	0.19
First Quarter	0.27	0.20	0.14	0.11	0.21	0.11
Fiscal 2016						
Fourth Quarter	$ 0.24	$ 0.18	$ 0.16	$ 0.12	$ 0.20	$ 0.11
Third Quarter	0.34	0.26	0.21	0.16	0.26	0.18
Second Quarter	0.33	0.26	0.14	0.11	0.25	0.16
First Quarter	0.22	0.16	0.14	0.10	0.14	0.11

Nasdaq Stock Market Information

Upon the effectiveness of this registration statement, we intend to list our common shares on Nasdaq under the symbol "DMAC".

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is Computershare Trust Company.

Number of Record Holders

As of October 15, 2018, there were 60 record holders of our common shares. This does not include shares held in "street name" or beneficially owned.

Dividends

We do not currently expect to declare or pay dividends on our common shares for the foreseeable future. While there are no restrictions in our articles or elsewhere which would prevent us paying dividend, the Board of Directors intends to reinvest all available funds in the Company's operations.

Securities Authorized for Issuance Upon the Exercise of Options and Warrants

As of October 15, 2018, there were outstanding options to purchase 12,787,189 of our common shares at a weighted average exercise price of CAD$0.39 per share warrants to purchase 16,505,265 of our common shares at a weighted average exercise price of $0.33 per share.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes outstanding options and other awards under our equity compensation plans as of October 15, 2018. Our equity compensation plans as of October 15, 2018 were the DiaMedica Therapeutics Inc. Stock Option Plan and the DiaMedica Therapeutics Inc. Deferred Share Unit Plan. All outstanding awards relate to our common shares.

	(a)	(b)	(c)
Plan category	**Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants or Rights**	**Weighted-Average Exercise Price of Outstanding Options, Warrants or Rights CAD($)**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))**
Equity compensation plans approved by security holders	**12,787,189(1)**	**0.39(2)**	**2,891,163(3)**
Equity compensation plans not approved by security holders	—	—	—
Total	**12,787,189(1)**	**0.39(2)**	**2,891,163(3)**

(1) Amount includes common shares issuable upon exercise of stock options granted under the DiaMedica Therapeutics Inc. Stock Option Plan and common shares issuable upon the vesting of deferred share units granted under the DiaMedica Therapeutics Inc. Deferred Share Unit Plan.

(2) Excludes common shares under the DiaMedica Therapeutics Inc. Deferred Share Unit Plan.

(3) Amount includes 2,467,487 common shares remaining available for future issuance under the DiaMedica Therapeutics Inc. Stock Option Plan and 423,676 common shares remaining available for future issuance under the DiaMedica Therapeutics Inc. Deferred Share Unit Plan.

Equity Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all common shares subject to outstanding stock options and shares of common stock issued or issuable under our stock plans. We expect to file the registration statement covering shares offered pursuant to our stock plans on or shortly after the effective date of this registration statement, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market, subject to compliance with the resale provisions of Rule 144.

Common Shares Not Registered Under the Securities Act

Our common shares, including our common shares underlying outstanding options and warrants, have not been registered under the Securities Act. Common shares which are not "restricted securities" under the Securities Act and are held by a shareholder that is not an affiliate of DiaMedica at the time of sale and has not been an affiliate of DiaMedica at any time during the three months preceding a sale, may be freely resold.

Rule 144

Common shares which are "restricted securities" and are held by a shareholder that is not an affiliate of DiaMedica at the time of sale and has not been an affiliate of DiaMedica at any time during the three months preceding a sale, and who has beneficially owned the shares for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our common shares for at least one year, such person can resell such shares under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Common shares held by a shareholder that is an affiliate of DiaMedica or has been an affiliate of DiaMedica at any time during the three months prior to the date of sale may only be sold under Rule 144 of the Securities Act beginning 90 days after the effectiveness of this registration statement, and subject to all other requirements of Rule 144. In general, under Rule 144, an affiliate would be entitled to sell in a "broker's transaction" or certain "riskless principal transactions" or to market makers, a number of common shares within any three-month period that does not exceed the greater of: (i) 1% of the number of our common shares then outstanding; or (ii) the average weekly trading volume of our common shares on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of $50,000, the seller must file a notice on Form 144 with the SEC and Nasdaq concurrently with either the placing of a sale order with the broker or the execution directly with a market maker. Persons who may be deemed to be our affiliates generally include individuals or entities that control, or are controlled by, or are under common control with, us and may include our directors and officers, as well as our significant shareholders.

Rule 701

Under Rule 701, common shares acquired upon the exercise of currently outstanding options or pursuant to other rights granted under our compensatory plans may be resold by:

- persons other than affiliates, beginning 90 days after the effective date of this registration statement, subject only to the manner-of-sale provisions of Rule 144; and

- our affiliates, beginning 90 days after the effective date of this registration statement, subject to the manner-of-sale and volume limitations, current public information and filing requirements of Rule 144, in each case, without compliance with the six-month holding period requirement of Rule 144.

Registration Rights

We have not agreed to register for sale under the Securities Act any common shares, including common shares issuable upon the exercise of any options or warrants, that we issued without registration under the Securities Act.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES.

During the period beginning on January 1, 2018 through October 15, 2018, we granted to certain of our employees, directors and consultants 3,936,000 stock options and no DSUs. During the year ended December 31, 2017, we granted to certain of our employees, directors and consultants 2,552,689 stock options and no DSUs. During the year ended December 31, 2016, we granted to certain of our employees, directors and consultants 2,775,000 stock options and 375,000 DSUs. During the year ended December 31, 2015, we granted to certain of our employees, directors and consultants 4,404,000 stock options and no DSUs. These securities were issued under our equity incentive plans without registration under the Securities Act in reliance on the exemptions afforded by Section 4(a)(2) of the Securities Act and Rule 701 promulgated thereunder.

Set forth below is information regarding additional securities issued by us within the past three years that were not registered under the Securities Act. The offers, sales and issuances of the securities described below were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) (or Regulation D promulgated thereunder), in that the issuance of securities to the accredited investors did not involve a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor under Rule 501 of Regulation D. No underwriters were involved in these transactions.

1. On March 29, 2018, we completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to expiration on March 19, 2020 and March 29, 2020 for tranche 1 and tranche 2, respectively. The warrants are subject to early expiration under certain conditions.

   In connection with the offering, we paid an aggregate cash fee of approximately $384,000 to brokers and finders and issued an aggregate of approximately 1.6 million compensation options. Each compensation option entitles the holder to purchase one common share at $0.245, the offering price, for a period of two years from the closing of the offering, subject to acceleration on the same terms as the warrants issued to the investors.

2. On December 18, 2017, we completed a non-brokered private placement of 3,624,408 units at a price of $0.26 per unit for aggregate gross proceeds of approximately $944,000. 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 $0.35 at any time prior to expiration on December 19, 2019, subject to early expiration under certain conditions.

3. On April 17, 2017, we completed a non-brokered private placement of 10,526,315 units at a price of $0.19 per unit for aggregate proceeds of approximately $2,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.23 at any time prior to expiration on April 17, 2019. The warrant expiration date can be accelerated at our option in the event that the volume-weighted average trading price of our common shares exceeds $0.30 per common share for any 10 consecutive trading days.

4. During the year ended December 31, 2017, 50,000 common shares were issued on the exercise of warrants for gross proceeds of $9,913 and 60,000 common shares were issued on the exercise of options for gross proceeds of $6,749.

5. On September 8, 2016, we completed the second tranche of a non-brokered private placement of 15,000,000 common shares at a price of $0.20 per share for aggregate gross proceeds of $3,000,000.

6. On August 22, 2016, we completed the first tranche of a non-brokered private placement of 5,000,000 common shares at a price of $0.20 per share for aggregate gross proceeds of $1,000,000.

7. On April 22, 2016, we issued 50,000 common shares for settlement of a debt to a vendor at an issue price of CAD$0.20 per common share.

8. On February 25, 2016, we completed the second tranche of a non-brokered private placement of 875,000 units at a price of $0.117 per unit for aggregate gross proceeds of approximately $101,710. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share at a price of CAD$0.25 at any time prior to expiration of two years from the closing date.

9. On February 18, 2016, we completed the first tranche of a non-brokered private placement of 3,812,500 units at a price of $0.117 per unit for aggregate gross proceeds of approximately $445,544. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share at a price of CAD$0.25 at any time prior to expiration of two years from the closing date.

10. During the year ended December 31, 2016, 25,880 common shares were issued on the redemption of deferred share units and 3,482,150 common shares were issued on the exercise of warrants for gross proceeds of $617,212.

11. On November 25, 2015, we announced the completion of a non-brokered private placement of 4,500,000 units at an issue price of $0.075 per unit for aggregate gross proceeds of $337,686. Each unit was comprised of one common share and one common share purchase warrant with each warrant entitling the holder thereof to acquire an additional common share at an exercise price of CAD$0.20 per share at any time prior to expiry on November 25, 2016.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED.

The following description of our equity securities does not purport to be complete and is subject, and qualified in its entirety by reference to, our articles and by-laws, each as amended, and applicable corporate and securities laws.

Authorized Equity Securities

We have an authorized share capital consisting of an unlimited number of voting common shares, no par value per share. As of October 15, 2018, there were 156,783,515 voting common shares issued and outstanding.

Certain Rights of the Common Shares

Dividends

Holders of our voting common shares are entitled to share pro rata in such dividends as may be declared by our Board of Directors. Pursuant to the provisions of the CBCA, we may not declare or pay a dividend if there are reasonable grounds for believing that (1) we are, or would after the payment be, unable to pay our liabilities as they become due or (2) the realizable value of our assets would thereby be less than the aggregate of our liabilities and stated capital of all classes. We may pay a dividend by issuing fully paid shares, or in money or property.

Liquidation, Dissolution or Winding-Up

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, holders of voting common shares are entitled to share pro rata in our assets available for distribution after we pay our creditors.

Voting Rights and Shareholders' Meetings

Holders of our voting common shares are entitled to receive notice of and to attend and vote at all meetings of our shareholders. Each holder of our voting common shares is entitled to one vote, either in person or by proxy, on all matters submitted to shareholders.

Our Board of Directors must call an annual meeting of shareholders to be held not later than 15 months after the last preceding annual meeting of shareholders but no later than six months after the end of our preceding financial year end and may, at any time, call a special meeting of shareholders. For purposes of determining the shareholders who are entitled to receive notice of or to vote at a meeting of shareholders, the Board of Directors may, in accordance with National Instrument *54-101—Communications* with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators, fix in advance a date as the record date for that determination of shareholders, but that record date may not be more than 60 days or less than 30 days before the date on which the meeting is to be held.

The CBCA provides that notice of the time and place of a meeting of shareholders must be sent to each shareholder entitled to vote at the meeting, each director and to our auditors, not more than 60 days and not less than 21 days prior to the meeting. Under our by-laws, the presence at a shareholder meeting, in person or represented by proxy, of at least two shareholders holding not less than one-third of the outstanding voting common shares shall constitute a quorum for the purpose of transacting business at the shareholder meeting. A shareholder may participate in a meeting by means of telephone or other communication facilities that permit all persons participating in the meeting to communicate adequately with each other during the meeting

In the case of joint shareholders, one of the holders present at a meeting may, in the absence of the other holder(s) of the shares, vote the shares. If two or more joint shareholders are present in person or by proxy, then they are to vote as one on the shares held jointly by them.

No Preemption Rights; Limited Restrictions on Directors' Authority to Issue Common Shares

Existing holders of our voting common shares have no rights of preemption or first refusal under our articles, by-laws or the CBCA with respect to future issuances of our voting common shares. The voting common shares do not have conversion rights, are not subject to redemption and do not have the benefit of any sinking fund provisions. Subject to the rules and policies of The Nasdaq Stock Market and the TSX-V and applicable corporate and securities laws, our Board of Directors has the authority to issue additional voting common shares.

Amendments to our Articles and By-laws

Our articles, our by-laws and the CBCA govern the rights of holders of our shares.

Our shareholders can authorize the alteration of our articles to create additional classes of shares or to vary the rights or restrictions attached to any class of our shares by passing a special resolution approved by the holders of at least two-thirds of each class of affected shares represented in person or by proxy at a duly convened meeting of shareholders. Such a special resolution will not be effective until articles of amendment are filed with the Director appointed pursuant to the CBCA.

Our Board of Directors may, by resolution, make, amend or repeal any by-laws that regulate our business or affairs; provided that the Board of Directors shall submit a by-law, or an amendment or a repeal of a by-law, to the shareholders at the next meeting of the shareholders, and the shareholders may, by ordinary resolution, confirm, reject or amend the by-law, amendment or repeal. A by-law, or an amendment or a repeal of a by-law, is effective from the date of the resolution of the Board of Directors until it is confirmed, confirmed as amended or rejected by the shareholders.

Fundamental Changes

Pursuant to the CBCA, we may not effect any of the following fundamental changes without the consent of the holders of at least two-thirds of each class of our outstanding shares represented in person or by proxy and voting separately as a class at a duly convened meeting of our shareholders:

- any proposed amalgamation involving our company in respect of which the CBCA requires that the approval of our shareholders be obtained;
- any proposed plan of arrangement pursuant to the CBCA involving our company in respect of which the CBCA or any order issued by an applicable court requires that the approval of our shareholders be obtained;
- any proposed sale, lease or exchange of all or substantially all our assets or property; and
- any dissolution, liquidation or winding-up of our company.

Election and Removal of Directors

At each annual meeting of shareholders, our shareholders are required to elect directors to hold office for a term expiring not later than the close of the next annual meeting of shareholders. Our Board of Directors may fill vacancies among the Board.

Since shareholders do not have cumulative voting rights, holders of more than 50% of our outstanding common shares can elect all of our directors if they choose to do so. In such event, holders of the remaining shares will be unable to elect any director.

Under the CBCA, at least 25% of our directors must be resident Canadians.

Anti-takeover Laws

In Canada, takeover bids are governed by provincial corporate and securities laws and the rules of applicable stock exchanges. The following description of the rules relating to acquisitions of securities and takeover bids to which Canadian corporate and securities laws apply does not purport to be complete and is subject, and qualified in its entirety by reference, to applicable corporate and securities laws, which may vary from province to province.

A party (the "acquiror") who acquires beneficial ownership of, or control or direction over, more than 10% of the voting or equity securities of any class of a reporting issuer (or securities convertible into voting or equity securities of any class of a reporting issuer) will generally be required to file with applicable provincial regulatory authorities both a news release and a report containing the information prescribed by applicable securities laws. Subject to the below, the acquiror (including any party acting jointly or in concert with the acquiror) will be prohibited from purchasing any additional securities of the class of the target company previously acquired for a period commencing on the occurrence of an event triggering the aforementioned filing requirement and ending on the expiry of one business day following the filing of the report. This filing process and the associated restriction on further purchases also apply in respect of subsequent acquisitions of 2% or more of the securities of the same class (or securities convertible into voting or equity securities of any class of a reporting issuer). The restriction on further purchases does not apply to an acquiror that beneficially owns, or controls or directs, 20% or more of the outstanding securities of that class.

In addition to the foregoing, certain other Canadian legislation may limit a Canadian or non-Canadian entity's ability to acquire control over or a significant interest in us, including the *Competition Act* (Canada) and the *Investment Canada Act* (Canada). Issuers may also approve and adopt shareholder rights plans or other defensive tactics designed to be triggered upon the commencement of an unsolicited bid and make the company a less desirable takeover target.

Shareholder Rights Plan

We adopted a shareholder rights plan agreement (the "Rights Plan"). The Rights 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 Rights Plan was renewed at the Company's annual meeting of shareholders in December 2017 and is set to expire at the close of the Company's annual meeting of shareholders in 2020.

The rights issued under the Rights Plan will initially 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% or more of the outstanding common shares without complying with the "Permitted Bid" provisions of the Rights 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% discount to the market price at the time.

Under the Rights 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% 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.

Listing; Exchange, Transfer Agent and Registrar

Our common shares currently trade in Canada on the TSX-V under the trading symbol "DMA" and over-the-counter in the United States on the OTCQB marketplace under the trading symbol "DMCAF." We have applied to list our common shares on Nasdaq under the trading symbol "DMAC."

The transfer agent and registrar for our common shares is Computershare Trust Company.

Other Canadian Laws Affecting U.S. Shareholders

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments by us to non-residents of Canada.

Dividends paid by the Company to residents of the United States of America within the meaning of the Canada-United States Tax Convention (1980) (the "Treaty") are subject to a 15% withholding tax on the gross amount of the dividends (or a 5% withholding tax if the beneficial shareholder is a company which owns at least 10% of the outstanding voting common shares of the Company) pursuant to Article X of the Treaty. Dividends paid by the Company to other non-residents of Canada are subject to a 25% withholding tax on the amount of the dividends, unless reduced by an applicable tax treaty.

There are no limitations specific to the rights of non-residents of Canada to hold or vote our common shares under the laws of Canada, or in our articles or by-laws, other than those imposed by the *Investment Canada Act* (Canada) as discussed below.

Non-Canadian investors who acquire a controlling interest in us may be subject to the *Investment Canada Act* (Canada), which governs the basis on which non-Canadians may invest in Canadian businesses. Under the *Investment Canada Act* (Canada), the acquisition of a majority of the voting interests of an entity (or of a majority of the undivided ownership interests in the voting common shares of an entity that is a corporation) is deemed to be an acquisition of control of that entity. The acquisition of less than a majority but one-third or more of the voting common shares of a corporation (or of an equivalent undivided ownership interest in the voting common shares of the corporation) is presumed to be acquisition of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquirer through the ownership of the voting common shares. The acquisition of less than one-third of the voting common shares of a corporation (or of an equivalent undivided ownership interest in the voting common shares of the corporation) is deemed not to be acquisition of control of that corporation.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

We are a corporation organized under the Canada Business Corporations Act. Under Section 124 of the CBCA, a corporation may indemnify a present or former director or officer of the corporation or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity. A corporation may not indemnify an individual unless the individual (i) acted honestly and in good faith with a view to the best interests of the corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the corporation's request, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the conduct was lawful. Each of the aforementioned individuals are entitled to the indemnification provided above from a corporation as a matter of right if they were not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and if the individual fulfills conditions (i) and (ii) above. A corporation may advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding; however, the individual shall repay the moneys if the individual does not fulfill the conditions set out in (i) and (ii) above. The indemnification or the advance of any moneys may be made in connection with a derivative action only with court approval and only if the conditions in (i) and (ii) above are met.

Under the CBCA, a corporation may purchase and maintain insurance for the benefit of any of the aforementioned individuals against any liability incurred by the individual in their capacity as a director or officer of the corporation, or in their capacity as a director or officer, or similar capacity, of another entity, if the individual acted in such capacity at the corporation's request. We have maintained, and expect to continue to maintain, such an insurance policy covering our directors and officers with respect to certain liabilities.

We have entered into indemnification agreements with all of our directors and officers. The indemnification agreements are governed exclusively by and construed according to the substantive laws of the Canada, without regard to conflicts-of-laws principles that would require the application of any other law and provide, among other things, for indemnification to the fullest extent permitted by law and our by-laws against any and all expenses (including attorneys' fees) and liabilities, judgments, fines and amounts paid in settlement that are paid or incurred by the executive or on his or her behalf in connection with such action, suit or proceeding. We will be obligated to pay these amounts only if the executive acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company. The indemnification agreements provide that the executive will not be indemnified and expenses advanced with respect to an action, suit or proceeding initiated by the executive unless (i) so authorized or consented to by our Board of Directors or the company has joined in such action, suit or proceeding or (ii) the action, suit or proceeding is one to enforce the executive's rights under the indemnification agreement. Our indemnification and expense advance obligations are subject to the condition that an appropriate person or body not party to the particular action, suit or proceeding shall not have determined that the executive is not permitted to be indemnified under applicable law. The indemnification agreements also set forth procedures that apply in the event an executive requests indemnification or an expense advance.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the financial statements and notes beginning on page F-1 of this registration statement.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements

See the index to consolidated financial statements set forth on page F-1.

(b) Exhibits

The following documents are filed as exhibits hereto.

Exhibit No.	Exhibit	Method of Filing
3.1	Certificate of Continuance of DiaMedica Therapeutics Inc. dated April 11, 2016	+
3.2	Certificate of Amendment of DiaMedica Therapeutics Inc. dated December 28, 2016	+
3.3	Certificate of Amendment of DiaMedica Therapeutics Inc. dated September 24, 2018	Filed herewith
3.4	Certificate of Amendment of DiaMedica Therapeutics Inc. to reflect share consolidation	*
3.5	By-Law No. 1A of DiaMedica Therapeutics Inc. as amended and restated on July 24, 2014	+
3.6	By-Law No. 1 and 2 of DiaMedica Therapeutics Inc. as amended and restated on September 30, 2018, subject to shareholder approval	Filed herewith
4.1	Investment Agreement between Hermeda Industrial Co., Ltd. and DiaMedica Inc. dated July 16, 2017	+
4.2	Shareholder Rights Plan Agreement dated December 21, 2017 by and between DiaMedica Therapeutics Inc. and Computershare Investor Services Inc.	+
4.3	Voting Agreement between Rick Pauls and DiaMedica Inc. dated July 2016	+
4.4	Voting Agreement between Werner Pauls and DiaMedica Inc. dated July 2016	+
4.5	Voting Agreement between Chris Pauls and DiaMedica Inc. dated July 2016	+

+ Previously filed.
* To be filed by amendment.

Exhibit No.	Exhibit	Method of Filing
4.6	Voting Agreement between Michael Giuffre, M.D. and DiaMedica Inc. dated July 2016	+
4.7	Voting Agreement between Stephen Mullie and DiaMedica Inc. dated July 20, 2016	+
4.8	Voting Agreement between J. Roderick Matheson and DiaMedica Inc. dated July 20, 2016	+
4.9	Form of Investor Warrant issued in connection with the March 2018 private placement	+
4.10	Form of Broker Warrant issued in connection with the March 2018 private placement	+
4.11	Form of Investor Warrant issued in connection with the December 2017 private placement	+
10.1	DiaMedica Therapeutics Inc. Stock Option Plan Amended and Restated December 21, 2017	+
10.2	Form of Option Agreement under the DiaMedica Therapeutics Inc. Stock Option Plan Amended and Restated December 21, 2017	+
10.3	DiaMedica Therapeutics Inc. Deferred Share Unit Plan	+
10.4	DiaMedica Therapeutics Inc. Stock Option Plan Amended and Restated November 6, 2018 and subject to shareholder approval	Filed herewith
10.5	Form of Indemnification Agreement	+
10.6	Employment Agreement by and between DiaMedica Therapeutics Inc. and Rick Pauls	+
10.7	Employment Agreement by and between DiaMedica Therapeutics Inc. and Todd Verdoorn, Ph.D.	+
10.8	Two Carlson Parkway Office Lease between One Two Holdings LLC and DiaMedica USA Inc. dated September 18, 2015	+
10.9	Supplemental to Lease Agreement between One Two Holdings LLC and DiaMedica USA Inc. dated December 16, 2015	+
10.10	First Amendment to Lease between One Two Holdings LLC and DiaMedica USA Inc. dated May 3, 2017	+
10.11	Second Amendment to Lease between One Two Holdings LLC and DiaMedica USA Inc. dated September 5, 2017	+
10.12	GPEx® Derived Cell Line Sale Agreement between DiaMedica Therapeutics Inc. and Catalent Pharma Solutions, LLC dated February 2, 2012 (1)	Filed herewith
10.13	First Amendment to GPEx® Development and Manufacturing Agreement between DiaMedica Therapeutics Inc. and Catalent Pharma Solutions, LLC dated April 10, 2017	Filed herewith
10.14	License and Collaboration Agreement between DiaMedica Therapeutics Inc. and Ahon Pharmaceutical Co., Ltd. dated September 27, 2018. (1)	Filed herewith
10.15	Supply Agreement between DiaMedica Therapeutics Inc. and Ahon Pharmaceutical Co., Ltd. dated September 27, 2018. (1)	Filed herewith
21.1	Subsidiaries of DiaMedica Therapeutics Inc.	+
23.1	Consent of Independent Registered Public Accounting Firm	*

\+ Previously filed.
* To be filed by amendment.
(1) Portions of this exhibit have been redacted and are subject to an application for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The redacted material was filed separately with the Securities and Exchange Commission.

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement on Form 10 to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: , 2018

DIAMEDICA THERAPEUTICS INC.

By: _____
Rick Pauls
President and Chief Executive Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

Unaudited Condensed Consolidated Financial Statements for the Three and Six Months Ended June 30, 2018 and 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
DiaMedica Therapeutics Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DiaMedica Therapeutics Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for each of the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's evaluations of the events and conditions and management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board of the United States of America ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Baker Tilly Virchow Krause, LLP

We have served as the Company's auditors since 2016.

Minneapolis, MN
August 24, 2018

DiaMedica Therapeutics Inc.
Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31,	
	2017	**2016**
ASSETS		
Current assets:		
Cash	$ 1,353	$ 1,736
Amounts receivable	80	53
Prepaid expenses	61	67
Total current assets	1,494	1,856
Deposit	271	—
Property and equipment, net	37	19
Total non-current assets	308	19
Total assets	$ 1,802	$ 1,875
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 919	$ 671
Warrant liability	84	93
Total current liabilities	1,003	764
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common shares, no par value; unlimited authorized; 127,413,262 and 110,520,960 shares issued and outstanding, as of December 31, 2017 and 2016, respectively	—	—
Additional paid-in capital	41,033	37,085
Accumulated deficit	(40,234)	(35,974)
Total stockholders' equity	799	1,111
Total liabilities and stockholders' equity	$ 1,802	$ 1,875

See accompanying notes to consolidated financial statements.

DiaMedica Therapeutics Inc.
Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)

	Year Ended December 31, 2017	2016
Operating expenses:		
Research and development	$ 3,206	$ 1,728
General and administrative	1,313	598
Operating loss	(4,519)	(2,326)
Other (income) expense:		
Governmental assistance - research incentives	(244)	—
Other (income) expense	(6)	82
Change in fair value of warrant liability	(9)	(188)
Total other income	(259)	(106)
Loss before income tax expense	(4,260)	(2,220)
Income tax expense	—	—
Net loss and comprehensive loss	$ (4,260)	$ (2,220)
Basic and diluted net loss per share	$ (0.04)	$ (0.02)
Weighted average shares outstanding – basic and diluted	118,715,801	94,715,025

See accompanying notes to consolidated financial statements.

DiaMedica Therapeutics Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(In thousands except share amounts)

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2015	82,275,430	$ 32,576	$ (33,754)	$ (1,178)
Issuance of common shares and warrants, net of offering costs of $395	20,000,000	3,605	—	3,605
Issuance of common shares and warrants, net of offering costs of $311	4,687,500	237	—	237
Issuance of common shares in settlement of debt	50,000	8	—	8
Exercise of common share warrants	3,482,150	442	—	442
Issuance of common shares, deferred stock unit redemption	25,880	—	—	—
Share-based compensation expense	—	217	—	217
Net loss	—	—	(2,220)	(2,220)
Balances at December 31, 2016	110,520,960	$ 37,085	$ (35,974)	$ 1,111
Issuance of common shares and warrants, net of offering costs of $292	14,150,723	2,917	—	2,917
Exercise of common share purchase warrants	2,681,579	615	—	615
Exercise of common share options	60,000	7	—	7
Share-based compensation expense	—	409	—	409
Net loss	—	—	(4,260)	(4,260)
Balances at December 31, 2017	127,413,262	$ 41,033	$ (40,234)	$ 799

See accompanying notes to consolidated financial statements.

DiaMedica Therapeutics Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (4,260)	$ (2,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	409	217
Change in fair value of warrant liability	(9)	(188)
Depreciation	4	2
Changes in operating assets and liabilities:		
Amounts receivable	(27)	(44)
Prepaid expenses	6	(33)
Deposits	(271)	—
Accounts payable and accrued liabilities	248	(510)
Deferred revenue	—	(39)
Other liabilities	—	(172)
Net cash used in operating activities	(3,900)	(2,987)
Cash flows from investing activities:		
Purchase of property and equipment	(22)	(7)
Net cash used in financing activities	(22)	(7)
Cash flows from financing activities:		
Proceeds from issuance of common shares and warrants, net of offering costs	2,917	517
Proceeds from issuance of common shares, net of offering costs	—	3,605
Proceeds from the exercise of common share purchase warrants	615	442
Proceeds from the exercise of stock options	7	—
Net cash provided by financing activities	3,539	4,564
Net (decrease) increase in cash	(383)	1,570
Cash at beginning of year	1,736	166
Cash at end of year	$ 1,353	$ 1,736
Supplemental disclosure of non-cash transactions:		
Common share purchase warrants issued as agent consideration	$ —	$ 24
Common shares issued in settlement of debt	$ —	$ 8

See accompanying notes to consolidated financial statements.

**DiaMedica Therapeutics Inc.
Notes to Consolidated Financial Statements**

1. Business

DiaMedica Therapeutics Inc. and its wholly-owned subsidiaries, DiaMedica USA, Inc. and DiaMedica Australia Pty Ltd. (collectively "we," "us," "our" and the "Company"), exist for the primary purpose of advancing the clinical and commercial development of a proprietary recombinant KLK1 protein for the treatment of acute ischemic stroke and chronic kidney disease.

The Company is a listed company incorporated under the Canada Business Corporations Act and domiciled in British Columbia, Canada, whose shares are publicly traded on the TSX Venture Exchange in Canada under the symbol "DMA" and the OTCQB in the United States under the symbol "DMCAF." The Company's registered office is at 301 – 1665 Ellis Street, Kelowna, British Columbia V1Y 2B3. DiaMedica USA Inc. was incorporated under the laws of the State of Delaware on May 15, 2012. DiaMedica Australia Pty Ltd. was established on July 11, 2016 and incorporated under the laws of Australian Securities and Investments Commission.

2. Risks, Uncertainties and Going Concern

The Company operates in a highly regulated and competitive environment. The development, manufacturing and marketing of pharmaceutical products require approval from, and are subject to ongoing oversight by, the Food and Drug Administration ("FDA") in the United States, the Therapeutic Goods Administration ("TGA") in Australia, the European Medicines Agency ("EMA") in the European Union, and comparable agencies in other countries. Obtaining approval for a new pharmaceutical product is never certain, may take many years, and is normally expected to involve substantial expenditures.

As of December 31, 2017, we have incurred losses of $40.2 million since our inception in 2000. For the year ended December 31, 2017, we incurred a net loss and negative cash flows from operating activities of $4.3 million and $3.9 million, respectively. We expect to incur substantial losses for the foreseeable future, which will continue to generate negative net cash flows from operating activities, as we continue to pursue research and development activities and the clinical development of our primary product candidate, DM199. As of December 31, 2017, we had cash of $1.4 million, working capital of $491,000 and stockholders' equity of $799,000. The Company's principal sources of cash have included the issuance of equity securities.

The accompanying Consolidated Financial Statements have been prepared assuming that we will continue as a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business and do not include any adjustments relating to the recoverability or classification of assets or the amounts of liabilities that might result from the outcome of these uncertainties. Our ability to continue as a going concern, realize the carrying value of our assets and discharge our liabilities in the ordinary course of business is dependent upon a number of factors, including our ability to obtain additional financing, the success of our development efforts, our ability to obtain marketing approval for our initial product candidate, DM199, in the United States, Australia, the European Union or other markets and ultimately our ability to market and sell our initial product candidate. These factors, among others, raise substantial doubt about our ability to continue operations as a going concern. See Note 3 titled "Liquidity, Management's Plans and Going Concern."

3. Liquidity and Management Plans

As of December 31, 2017 and March 31, 2018, the Company has an accumulated deficit of $40.2 million and $40.9 million, respectively, and the Company has not generated positive cash flow from operations since its inception.

Additional funding will be required to continue the Company's research and development and other operating activities. In the next 12 months we will likely seek to raise additional funds through various sources, such as equity and debt financings, or through strategic collaborations and license agreements. We can give no assurances that we will be able to secure additional sources of funds to support our operations, or if such funds are available to us, that such additional financing will be sufficient to meet our needs or on terms acceptable to us. This risk would increase if our clinical data is not positive or economic and market conditions deteriorate.

During March 2018, the Company completed a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. In addition, during February 2018, 2,425,125 common shares were issued on the exercise of warrants for gross proceeds of approximately $484,000. See Note 14 titled "Subsequent Events" for further details.

If we are unable to obtain additional financing when needed, we would need to scale back our operations taking actions that may include, among other things, reducing use of outside professional service providers, reducing staff or staff compensation, significantly modify or delay the development of our DM199 product candidate, license to third parties the rights to commercialize our DM199 product candidate for acute ischemic stroke, chronic kidney disease or other applications that we would otherwise seek to pursue, or cease operations.

Our future success is dependent upon our ability to obtain additional financing, the success of our development efforts, our ability to demonstrate clinical progress for our DM199 product candidate in the United States or other markets, our ability to obtain required governmental approvals of our product candidate and ultimately our ability to license or market and sell our DM199 product candidate. If we are unable to obtain additional financing when needed, if our clinical trials are not successful, if we are unable to obtain required governmental approvals, we would not be able to continue as a going concern and would be forced to cease operations and liquidate our company.

There can be no assurances that we will be able to obtain additional financing on commercially reasonable terms, or at all. The sale of additional equity securities would likely result in dilution to our current stockholders.

4. Summary of Significant Accounting Policies

Basis of presentation

We have prepared the accompanying Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. Our fiscal year ends on December 31.

Principles of consolidation

The accompanying Consolidated Financial Statements include the assets, liabilities and expenses of DiaMedica Therapeutics Inc. and our wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Functional currency

The United States dollar is the functional currency that represents the economic effects of the underlying transactions, events and conditions and various other factors including the currency of historical and future expenditures and the currency in which funds from financing activities are mostly generated by the Company. A change in the functional currency occurs only when there is a material change in the underlying transactions, events and condition. A change in functional currency could result in material differences in the amounts recorded in the consolidated statement of loss and comprehensive loss for foreign exchange gains and losses. All amounts in the accompanying Consolidated Financial Statements are in U.S. dollars unless otherwise indicated.

Use of estimates

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments that potentially subject the company to significant concentrations of credit risk consist primarily of cash. Cash is deposited in demand accounts at commercial banks. At times, such deposits may be in excess of insured limits. The Company has not experienced any losses on its deposits of cash.

Fair value of financial instruments

Carrying amounts of certain of the Company's financial instruments, including amounts receivable, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate fair value due to their short maturities. Certain of the Company's common share purchase warrants are required to be reported at fair value. The fair value of common share purchase warrants is disclosed in Note 9 titled "Warrant Liability."

Fair value measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The hierarchy is broken down into three levels defined as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2—Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or model-derived valuations for which all significant inputs are observable, either directly or indirectly.

- Level 3—Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

Our cash and equivalents consist of bank deposits. As of December 31, 2017, the Company believes that the carrying amounts of its other financial instruments, including amounts receivable, accounts payable and accrued liabilities, approximate their fair value due to the short-term maturities of these instruments.

Common share warrant liability

The common share warrants that were issued in connection with the February 2016 private placements of common shares are classified as a liability in the consolidated balance sheets, as the common share warrants have an exercise price stated in Canadian dollars, which is different than the functional currency, and thus these warrants qualify as a derivative instruments. The fair value of these common share warrants is re-measured at each financial reporting period and immediately before exercise, with any changes in fair value being recognized as a component of other income (expense) in the consolidated statements of operations.

Long-lived assets

Property and equipment are stated at purchased cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives of three to ten years for office equipment and four years for computer equipment. Upon retirement or sale, the cost and related accumulated depreciation are removed from the consolidated balance sheets and the resulting gain or loss is reflected in the consolidated statements of operations. Repairs and maintenance are expensed as incurred.

Long-lived assets are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset or related group of assets may not be recoverable. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized at that time. Measurement of impairment may be based upon appraisal, market value of similar assets or discounted cash flows.

Research and development costs

Research and development costs include expenses incurred in the conduct of human clinical trials, for third-party service providers performing various testing and accumulating data related to non-clinical studies; sponsored research agreements; developing the manufacturing process necessary to produce sufficient amounts of the DM199 compound for use in our non-clinical studies and human clinical trials; consulting resources with specialized expertise related to execution of our development plan for our DM199 product candidate; and personnel costs, including salaries, benefits and share-based compensation.

We charge research and development costs, including clinical trial costs, to expense when incurred. Our human clinical trials are performed at clinical trial sites and are administered jointly by us with assistance from contract research organizations ("CROs"). Costs of setting up clinical trial sites are accrued upon execution of the study agreement. Expenses related to the performance of clinical trials are accrued based on contracted amounts and the achievement of agreed upon milestones, such as patient enrollment, patient follow-up, etc. We monitor levels of performance under each significant contract, including the extent of patient enrollment and other activities through communications with the clinical trial sites and CROs, and adjust the estimates, if required, on a quarterly basis so that clinical expenses reflect the actual work performed at each clinical trial site and by each CRO.

Patent costs

Costs associated with prosecuting and maintaining patents are expensed as incurred given the uncertainty of patent approval and, if approved, resulting in probable future economic benefit to the Company. Patent-related costs, including legal expenses, included in research and development costs were $160,000 and $45,000 for the years ended December 31, 2017 and 2016, respectively.

Share-based compensation

The cost of employee and non-employee services received in exchange for awards of equity instruments is measured and recognized based on the estimated grant date fair value of those awards. Compensation cost is recognized ratably using the straight-line attribution method over the vesting period, which is considered to be the requisite service period. We record forfeitures in the periods in which they occur.

The fair value of share-based awards is estimated using the Black-Scholes option pricing model. The determination of the fair value of share-based awards is affected by our stock price, as well as assumptions regarding a number of complex and subjective variables. Risk free interest rates are based upon Canadian Government bond rates appropriate for the expected term of each award. Expected volatility rates are based on the on historical volatility equal to the expected life of the option. The assumed dividend yield is zero, as we do not expect to declare any dividends in the foreseeable future. The expected term of options is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the Consolidated Financial Statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted rates, for each of the jurisdictions in which the Company operates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company has provided a full valuation allowance against the gross deferred tax assets as of December 31, 2017 and 2016. See Note 13, "Income Taxes" for additional information. The Company's policy is to classify interest and penalties related to income taxes as income tax expense in the Consolidated Statements of Operations and Comprehensive Loss.

Government assistance

Government assistance relating to research and development performed by DiaMedica Australia Pty Ltd. is recorded as a component of Other (Income) Expense. Government assistance is initially recognized when reasonable assurance exists that the Company will comply with the conditions attached to the incentive program and that the incentive payments will be received. In subsequent periods, the government assistance is recognized when the related expenditures are incurred.

Net loss per share

We compute net loss per share by dividing our net loss (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Shares issued during the period and shares reacquired during the period, if any, are weighted for the portion of the period that they were outstanding. The computation of diluted earnings per share, or diluted EPS, is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Our diluted EPS is the same as basic EPS due to common equivalent shares being excluded from the calculation, as their effect is anti-dilutive.

The following table summarizes our calculation of net loss per common share for the periods (in thousands, except share and per share data):

	December 31,	
	2017	**2016**
Net loss	$ (4,260)	$ (2,220)
Weighted average shares outstanding—basic and diluted	118,715,801	94,715,025
Basic and diluted net loss per share	$ (0.04)	$ (0.02)

The following outstanding potential common shares were not included in the diluted net loss per share calculations as their effects were not dilutive:

	Year Ended December 31,	
	2017	**2016**
Employee and non-employee stock options	9,600,689	8,557,000
Common shares issuable under common share purchase warrants	4,324,254	2,562,050
Common shares issuable under deferred share unit plan	423,676	423,676
	14,348,619	11,542,726

Recently issued accounting pronouncement

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Leases. The guidance in ASU 2016-02 supersedes the lease recognition requirements in the Accounting Standards Codification Topic 840, Leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The new standard requires the immediate recognition of all excess tax benefits and deficiencies in the income statement and requires classification of excess tax benefits as an operating activity as opposed to a financing activity in the statements of cash flows. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is evaluating the standard's impact on the Consolidated Financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This ASU is effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company is currently evaluating the impact of the new guidance on our Consolidated Financial Statements.

Recently adopted accounting pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The guidance in ASU 2016-09 is intended to simplify aspects of the accounting for employee share-based payments, including the accounting for income taxes, forfeitures, statutory withholding requirements, and classification on the statement of cash flows. The standard is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The adoption of ASU 2016-09 during the year ended December 31, 2016 did not have a material impact on the Consolidated Financial Statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; and II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable non-controlling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company adopted ASU 2017-11 during the year ended December 31, 2017. Due to the adoption, the December 2017 warrants were not accounted for as derivative instruments. There was no activity in prior years which fall under this guidance. As such, early adoption has no effect on prior years.

5. AMOUNTS RECEIVABLE

Amounts receivable consisted of the following (in thousands):

	December 31, 2017	December 31, 2016
Sales-based taxes receivable	80	53
Total amounts receivable	$ 80	$ 53

6. DEPOSIT

Deposit consisted of the following (in thousands):

	December 31, 2017	December 31, 2016
Advances to vendor	$ 271	$ —
Total Deposit	$ 271	$ —

We have advanced funds to a vendor engaged to support the performance of the REMEDY Phase 2 clinical trial. The funds advanced will be held, interest free, by this vendor until the completion of the trial and applied to final trial invoices or refunded. This deposit is classified as non-current as the trial is not expected to be completed during 2018.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	December 31, 2017	December 31, 2016
Furniture and equipment	$ 40	$ 22
Computer equipment	23	20
	63	42
Less accumulated depreciation	(26)	(23)
Property and equipment, net	$ 37	$ 19

8. ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following (in thousands):

	December 31, 2017	December 31, 2016
Trade and other payables	$ 513	$ 250
Accrued compensation and related	355	142
Accrued research and other professional fees	45	255
Other accrued liabilities	6	24
Total accrued liabilities	$ 919	$ 671

9. Warrant Liability

In February 2016, the Company completed, in two tranches, a non-brokered private placement of 4,687,500 units with each unit consisting of one common share and one half of one common share purchase warrant. The Company issued 2,343,750 warrants. Each warrant entitles the holder to purchase one common share at a price of $0.25 Canadian dollars at any time prior to expiry on February 18 or 25, 2018 for Tranche 1 and Tranche 2, respectively.

As the warrant exercise price is stated in Canadian dollars and the Company's functional currency is the U.S. dollar, the warrants are deemed to be a derivative, with their estimated fair value classified as a liability on the Company's balance sheet. The initial estimated fair value of the warrants was recorded as a warrant liability with subsequent changes in the estimated fair value recognized in the Consolidated Statements of Operations and Comprehensive Loss. The Company allocated $257,000 of the net proceeds to the warrant liability and the balance of the proceeds to the common shares (Note 9). The initial fair value of the warrants was determined using a Black-Scholes pricing model with the following assumptions: expected volatilities of 191.8 – 225.0%, risk-free interest rates of 0.43 – 0.49%, and expected life of 2 years.

In connection with the offering, the Company issued an aggregate of 218,300 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at $0.25 Canadian dollars for a period of 2 years from the date of issuance, subject to acceleration on the same terms as the common share purchase warrants. The Company estimated the value of these warrants at $24,000, which was included in the issuance costs. The initial fair value of the warrants was determined using a Black-Scholes pricing model with the following assumptions: expected volatilities of 191.8 – 225.0%, risk-free interest rates of 0.43 – 0.49%, and expected life of 2 years.

The fair value of the Company's common share purchase warrant liability, for both investor warrants and compensation warrants, is calculated using a Black-Scholes valuation model and is classified as Level 3 in the fair value hierarchy. The fair values were estimated using the following valuation assumptions:

	Unit Warrants December 31,		Compensation Warrants December 31,	
	2017	2016	2017	2016
Common share fair value	$0.26 – $0.42	$0.16 – $0.24	$0.26 – $0.42	$0.16 – $0.24
Risk-free interest rate	0.75% – 1.67%	0.43% – 0.76%	0.75% – 1.67%	0.43% – 0.76%
Expected dividend yield	0%	0%	0%	0%
Expected life (years)	0.13 – 0.89	1.1 – 2.0	0.13 – 0.89	1.1 – 2.0
Expected stock price volatility	20.8% – 105.3%	89.6% – 191.8%	20.8% – 105.3%	89.6% – 191.8%

The following is a rollforward of the fair value of Level 3 warrants (in thousands):

	Warrant Liability
Warrant issuance – February 2016	$ 281
Change in fair value	(188)
Ending balance December 31, 2016	93
Change in fair value	(9)
Ending balance December 31, 2017	$ 84

10. Commitments and Contingencies

Clinical trials and product development

In the normal course of business, the Company incurs obligations to make future payments as it executes its business plan. These contracts relate to preclinical, clinical and development activities, including the clinical research organization conducting our Phase II clinical trial for acute ischemic stroke. These commitments are subject to significant change and the ultimate amounts due may be materially different as these obligations are affected by, among other factors, the number and pace of patients enrolled, the number of clinical study sites, amount of time to complete study enrollments and the time required to finalize the analysis and reporting of study results. Clinical research agreements are generally cancelable upon 30 days notice, with the Company's obligation then limited to costs incurred up to that date. Cancelation terms for product development contracts vary and are generally dependent upon timelines for sourcing research materials and reserving laboratory time. As of December 31, 2017, the Company estimates that its outstanding commitments including research and development contracts are approximately $2.2 million over the next 12 months and approximately $700,000 in the following 12 months.

On September 11, 2017, the Company announced the initiation of REMEDY, a 60-patient Phase II clinical trial evaluating DM199 in patients with acute ischemic stroke ("AIS"). The study drug (DM199 or placebo) will be administered as an intravenous ("IV") infusion within 24 hours of stroke symptom onset, followed by subcutaneous (under the skin) injections once every 3 days for 21 days. The study is designed to measure safety and tolerability along with multiple tests designed to investigate DM199's therapeutic potential including plasma-based biomarkers and standard functional stroke measures assessed at 90 days post-stroke (Modified Rankin Scale ("MRS"), National Institutes of Health Stroke Scale (NIHSS), Barthel Index (BI), and CRP, a measure of inflammation).

Additional clinical trials will be subsequently required if the results of the Phase II are positive. However, at this time, we are unable to reasonably estimate the total costs of future trials. Such costs are dependent upon and subject to change depending on the results of current and future clinical trials as well as developments in the regulatory requirements. Clinical trial costs are expensed as incurred.

Technology license

The Company has entered into a research, development, and license agreement whereby the Company receives research services and rights to proprietary technologies. Milestone and royalty payments that may become due under this agreement with such payments dependent upon, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain. There were no amounts due or payable under this agreement during 2017 and 2016.

Indemnification of directors and officers

The Company, as permitted under laws of the Canada and in accordance with its by-laws, will indemnify and advance expenses to its directors and officers to the fullest extent permitted by law or, if applicable, pursuant to indemnification agreements. They further provide that we may choose to indemnify other employees or agents of our Company from time to time. The Company has secured insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to the Company. As of December 31, 2017, there was no pending litigation or proceeding involving any director or officer of the Company as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company, the Company has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The Company believes the fair value of these indemnification agreements is minimal. Accordingly, the Company had not recorded any liabilities for these obligations as of December 31, 2017 or 2016.

Future minimum lease payments

The Company leases certain office space under a non-cancelable operating lease. On May 3, 2017, the Company amended the lease agreement to extend its lease term by 42 months, for an expiration date of August 31, 2022, and increase its leased space. Rent is expensed on a straight-line basis.

Future minimum lease payment under this operating lease are as follows (in thousands):

2018	$ 62
2019	64
2020	66
2021	68
2022	45
	$ 305

11. Stockholders' Deficit

Authorized capital stock

The Company has authorized share capital of an unlimited number of common voting shares and the shares have no stated par value.

Common shareholders are entitled to receive dividends as declared by the Company, if any, and are entitled to one vote per share at the Company's annual general meeting and any extraordinary general meeting.

Shareholders rights plan

The Company adopted a shareholder rights plan agreement (the "Rights Plan"). The Rights 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 Rights Plan was renewed at the Company's annual meeting of shareholders in December 2017 and is set to expire at the close of the Company's annual meeting of shareholders in 2020.

The rights issued under the Rights Plan will initially 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 (20%) or more of the outstanding common shares without complying with the "Permitted Bid" provisions of the Rights 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 (50%) 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 sixty (60) days. If at the end of sixty (60) days at least 50 percent (50%) 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 ten (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.

Private placements during 2017

On December 18, 2017, the Company completed a non-brokered private placement of 3,624,408 units at a price of $0.26 per unit for aggregate gross proceeds of approximately $944,000, or $934,000 net of issuance costs. 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 $0.35 at any time prior to expiry on December 19, 2019. Warrants are subject to early expiry, at the option of the Company, if on any date the volume-weighted average closing trading price of the common shares on any recognized Canadian stock exchange equals or exceeds $0.60 for a period of 21 consecutive trading days.

On April 17, 2017, the Company completed a non-brokered private placement of 10,526,315 units at a price of $0.19 per unit for aggregate gross proceeds of approximately $2,000,000, or $1,983,000 net of issuance costs. 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 $0.23 at any time prior to expiry on April 17, 2019. Warrants are subject to early expiry, at the option of the Company, if on any date the volume-weighted average closing trading price of the common shares on any recognized Canadian stock exchange equals or exceeds $0.30 for a period of 10 consecutive trading days.

During the year ended December 31, 2017, 2,681,579 common shares were issued on the exercise of warrants for gross proceeds of $615,000 and 60,000 common shares were issued on the exercise of options for gross proceeds of $7,000.

Private placements during 2016

On August 22, 2016 and September 8, 2016, the Company completed a non-brokered private placement of 15,000,000 and 5,000,000 common shares, respectively, at a price of $0.20 per share for aggregate gross proceeds of $4,000,000, or $3,605,000 net of issuance costs.

On April 22, 2016, the Company issued 50,000 common shares for settlement of a debt to a vendor at an effective issue price of approximately $0.16 per common share.

On February 25, 2016, the Company completed the second tranche of a non-brokered private placement of 875,000 units at a price of $0.117 per unit for aggregate gross proceeds of approximately $102,000. 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 CAD$0.25 at any time prior to expiry of February 25, 2018. In connection with the financing, the Company issued 70,000 compensation warrants and paid a finder's fee of 8% of the aggregate gross proceeds. Each compensation warrant entitles the holder to acquire one common share at an exercise price of CAD$0.25 prior to expiry on February 25, 2018.

The proceeds from the sale were allocated first to the warrants as a derivative liability and the remainder to the common shares. As a result, approximately $52,000 of the proceeds were allocated to the warrant derivative liability and the remaining proceeds of approximately $50,000, before offering costs, were allocated to the common shares.

On February 18, 2016, the Company completed the first tranche of a non-brokered private placement of 3,812,500 units at a price of $0.117 per unit for aggregate gross proceeds of approximately $446,000. 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 CAD$0.25 at any time prior to expiry on February 18, 2018. In connection with the financing, the Company issued 148,300 compensation warrants and paid a net finder's fee of 4% of the aggregate gross proceeds. Each compensation warrant entitles the holder to acquire one common share at an exercise price of CAD$0.25 prior to expiry on February 18, 2018.

The proceeds from the sale were allocated first to the warrants as a derivative liability and the remainder to the common shares. As a result, approximately $205,000 of the proceeds were allocated to the warrant derivative liability and the remaining proceeds of approximately $240,000, before offering costs, were allocated to the common shares.

During the year ended December 31, 2016, 25,880 common shares were issued on the redemption of deferred share units and 3,482,150 common shares were issued on the exercise of warrants for gross proceeds of $442,000, and 10,891,087 warrants expired unexercised.

Shares reserved

Shares of common stock reserved for future issuance are as follows:

	December 31, 2017
Stock options outstanding	9,600,689
Deferred share units outstanding	423,676
Shares available for grant under the DiaMedica Stock Option Plan	4,324,254
Common shares issuable under common stock purchase warrants	3,140,637
Total	17,489,256

12. Share-based Compensation

Deferred share unit plan

The 2012 Deferred Share Unit Plan (the "2012 DSU Plan") promotes greater alignment of long-term interests between non-executive directors and executive officers of the Company and its shareholders through the issuance of deferred share units ("DSUs"). Since the value of DSUs increases or decreases with the market price of the common shares, DSUs reflect a philosophy of aligning the interests of directors and executive officers by tying compensation to share price performance. For the years ended December 31, 2017 and 2016, there were zero and 375,000 shares issued, respectively, with an intrinsic value of zero and $53,000, respectively, for payment of directors' fees. The Company has reserved for issuance up to 2,000,000 common shares under the 2012 DSU Plan and 423,676 DSUs were outstanding at December 31, 2017 and 2016.

Stock option plan

DiaMedica has adopted a Stock Option Plan (the "Option Plan") where the Board of Directors may from time to time, in their sole discretion, and in accordance with the requirements of the Toronto (TSX) Venture Exchange, 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 shareholders approved the adoption of an Option Plan on September 22, 2011, and as amended and restated on October 23, 2015 and December 21, 2017, reserving for issuance up to 10% of the Company's issued and outstanding common shares. Options granted vest at various rates and have terms of up to 10 years. As of December 31, 2017, options to purchase 9,600,689 common shares were outstanding. As the TSX Venture Exchange is the principle trading market for the Company's shares, all options have been priced in Canadian dollars.

The aggregate number of common shares reserved as of December 31, 2017 was 12,741,000, which includes both the Option Plan and the 2012 DSU Plan.

We recognize share-based compensation based on the fair value of each award as estimated using the Black-Scholes option valuation model. Ultimately, the actual expense recognized over the vesting period will only be for those shares that actually vest.

A summary of option activity is as follows:

	Shares Underlying Options	Weighted Average Exercise Price Per Share (CAD$)	Aggregate Intrinsic Value (CAD$)
Balances at December 31, 2015	6,412,000	$ 0.49	$ 60,000
Shares Reserved	—	—	
Granted	2,775,000	0.24	
Exercised	—	—	
Expired / cancelled	(480,000)	0.72	
Forfeited	(150,000)	1.31	
Balances at December 31, 2016	8,557,000	$ 0.38	$ 187,120
Granted	2,552,689	0.31	
Exercised	(60,000)	0.15	
Expired / cancelled	(1,449,000)	0.66	
Forfeited	—	—	
Balances at December 31, 2017	9,600,689	$ 0.32	$ 674,481

A summary of the status of our unvested shares during the year ended and as of December 31, 2017 is as follows:

	Shares Under Option	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2016	298,400	$ 9.47
Granted	54,000	9.48
Vested	(217,200)	8.79
Forfeitures	—	—
Unvested at December 31, 2017	135,200	$ 9.31

Information about stock options outstanding, vested and expected to vest as of December 31, 2017, is as follows:

	Outstanding, Vested and Expected to Vest			Options Vested and Exercisable	
Per Share Exercise Price (CAD$)	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (CAD$)	Options Exercisable	Weighted Average Remaining Contractual Life (Years)
$0.10-$0.13	1,100,000	7.73	$ 0.10	1,091,667	7.74
$0.14-$0.16	2,670,000	7.92	0.15	1,780,000	7.92
$0.17-$0.26	2,689,355	8.96	0.26	1,022,688	8.99
$0.27-$0.51	2,138,334	9.46	0.32	367,502	9.45
$0.52-$1.70	1,003,600	4.87	1.21	1,003,000	4.87
	9,600,689	8.21	$ 0.32	5,264,857	7.61

The cumulative grant date fair value of employee options vested during the years ended December 31, 2017 and 2016 was $63,000 and $122,000, respectively. Total proceeds received for options exercised during the years ended December 31, 2017 and 2016 were $7,000 and $0, respectively.

As of December 31, 2017 and 2016, total compensation expense related to unvested employee stock options not yet recognized was $551,000 and $353,000, respectively, which is expected to be allocated to expenses over a weighted-average period of 1.97 and 2.46 years, respectively.

The assumptions used in calculating the fair value under the Black-Scholes option valuation model are set forth in the following table for options issued by the Company for the years ended December 31, 2017 and 2016:

	2017	2016
Common share fair value	$0.26 – $0.42	$ 0.16 – 0.24
Risk-free interest rate	1.1%	0.8%
Expected dividend yield	0%	0%
Expected option life	4.5	4.6
Expected stock price volatility	84.7 – 156.8%	92.0 – 185.1%

Nonemployee share-based compensation

We account for stock options granted to nonemployees in accordance with FASB ASC 505 which requires, among other things, that the amount of compensation expense recorded is subject to periodic adjustment until the underlying options vest. In connection with stock options granted to nonemployees, we recorded $308,000 and $184,000 for nonemployee share-based compensation during the years ended December 31, 2017 and 2016, respectively. These amounts were based upon the fair values of the vested portion of the grants. Amounts expensed during the remaining vesting period will be determined based on the fair value at the time of vesting using the Black-Scholes option valuation model.

13. Income Taxes

We have incurred net operating losses since inception. We have not reflected the benefit of net operating loss carryforwards in the accompanying financial statements and have established a full valuation allowance against our deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes as well as operating losses and tax credit carryforwards.

The significant components of our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2017	2016
Deferred tax assets (liabilities):		
Non-capital losses carried forward	$ 7,233	$ 6,917
Research and development expenditures	887	697
Share issue costs	117	191
Patents and other	319	211
Property and equipment	(4)	1
Total deferred tax asset, net	8,552	8,017
Valuation allowance	(8,552)	(8,017)
Net deferred tax asset	$ —	$ —

Realization of the future tax benefits is dependent on our ability to generate sufficient taxable income within the carry-forward period. Because of our history of operating losses, management believes that the deferred tax assets arising from the above-mentioned future tax benefits are currently not likely to be realized and, accordingly, we have provided a full valuation allowance.

The reconciliation of the Canadian statutory income tax rate applied to the net loss for the year to the income tax expense is as follows:

	Year Ended December 31,	
	2017	**2016**
Statutory income tax rate	27.0%	27.0%
Income tax recovery based on statutory rate	(1,160)	(594)
Share-based compensation	110	70
Gain on revaluation of warrant liability	(2)	—
Australian research and development incentive	314	—
Share issue costs	(94)	(88)
Other	298	(280)
Change in unrecognized temporary differences	534	892
Income tax expense	—	—

Net operating losses and tax credit carryforwards as of December 31, 2017, are as follows:

	Amount (In thousands)	Expiration Years
Non-capital income tax losses, net	$ 29,943	Beginning 2026
Research and development expense carry forwards	3,284	Indefinitely
Tax credits	525	Beginning 2020

The Company is subject to taxation in the Canada, the United States and Australia. Tax returns, since the inception of DiaMedica Therapeutics Inc. are subject to examinations by Canadian tax authorities and may change upon examination. Tax returns of DiaMedica USA, Inc., since its inception in 2012 and thereafter, are subject to examination by the U.S. federal and state tax authorities. Tax returns of DiaMedica Therapeutics Australia Pty Ltd., since its inception in 2016 and thereafter, are subject to examination by the Australian tax authorities.

14. Subsequent Events

For the audited consolidated financial statements, management evaluated subsequent events through August 24, 2018, the date these consolidated financial statements were available to be issued.

For the interim condensed consolidated financial statements, management evaluated subsequent events through September 17, 2018, the date these condensed consolidated financial statements were available to be issued.

Sale of common shares and stock purchase warrants

On March 29, 2018, the Company completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to expiry on March 19, 2020 and March 29, 2020 for Tranche 1 and Tranche 2, respectively. The warrants are subject to early expiry under certain conditions. 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 $0.60 per common share for any 21 consecutive trading days. In connection with this offering, the Company paid aggregate finder's fees of approximately $384,000 and issued an aggregate of 1,610,174 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at $0.245 for a period of 2 years from the closing of this offering, subject to acceleration on the same terms as the common share purchase warrants.

Issuance of common shares on the exercise of stock purchase warrants

During February 2018, 2,425,125 common shares were issued on the exercise of warrants for gross proceeds of approximately $484,000.

Issuance of stock options

On April 17, 2018, the Compensation Committee of the Board of Directors awarded 3,336,000 stock options to various officers, directors and employees of the Company. The options were issued at CAD$0.56 per common share, the closing price of the Company's common shares on the date of grant and have a ten-year term.

DiaMedica Therapeutics Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash	$ 5,726	$ 1,353
Amounts receivable	322	80
Prepaid expenses	110	61
Total current assets	6,158	1,494
Deposit	271	271
Property and equipment, net	73	37
Total non-current assets	344	308
Total assets	$ 6,502	$ 1,802
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,147	$ 919
Warrant liability	—	84
Total current liabilities	1,147	1,003
Shareholders' equity:		
Common shares, no par value; unlimited authorized; 156,663,754 and 127,413,262 shares issued and outstanding, as of June 30, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	47,974	41,033
Accumulated deficit	(42,619)	(40,234)
Total shareholders' equity	5,355	799
Total liabilities and shareholders' equity	$ 6,502	$ 1,802

See accompanying notes to the condensed consolidated financial statements.

DiaMedica Therapeutics Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Operating expenses:				
Research and development	$ 1,070	$ 1,094	$ 1,861	$ 2,166
General and administrative	780	243	1,295	526
Operating loss	(1,850)	(1,337)	(3,156)	(2,692)
Other (income) expense:				
Governmental assistance - research incentives	(118)	—	(850)	—
Other (income) expense	(13)	20	22	30
Change in fair value of warrant liability	—	(65)	39	67
Total other income (expense)	(131)	(45)	(789)	97
Loss before income tax benefit	$ (1,719)	$ (1,292)	$ (2,367)	$ (2,789)
Income tax expense	16	—	18	—
Net loss and comprehensive loss	(1,735)	(1,292)	(2,385)	(2,789)
Basic and diluted net loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average shares outstanding – basic and diluted	156,429,929	119,140,821	143,753,187	114,857,354

See accompanying notes to the condensed consolidated financial statements.

DiaMedica Therapeutics Inc.
Condensed Consolidated Statements of Shareholders' Equity
(In thousands except share amounts)

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
Balances at December 31, 2017	127,413,262	$ 41,033	$ (40,234)	$ 799
Issuance of common shares and warrants, net of offering costs of $529	26,459,284	5,840	—	5,840
Exercise of common share purchase warrants	2,452,125	613	—	613
Exercise of stock options	339,083	43	—	43
Share-based compensation expense	—	445	—	445
Net loss	—	—	(2,385)	(2,385)
Balances at June 30, 2018	156,663,754	$ 47,974	$ (42,619)	$ 5,355

See accompanying notes to the condensed consolidated financial statements.

DiaMedica Therapeutics Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities:		
Net loss	$ (2,385)	$ (2,789)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	445	175
Change in fair value of warrant liability	39	67
Depreciation	6	1
Changes in operating assets and liabilities:		
Amounts receivable	(242)	(52)
Prepaid expenses	(49)	9
Accounts payable and accrued liabilities	228	377
Net cash used in operating activities	(1,958)	(2,212)
Cash flows from investing activities:		
Purchase of property and equipment	(42)	(3)
Net cash used in financing activities	(42)	(3)
Cash flows from financing activities:		
Proceeds from issuance of common shares and warrants, net of offering costs	5,840	1,983
Proceeds from the exercise of common share purchase warrants	490	—
Proceeds from the exercise of stock options	43	7
Net cash provided by financing activities	6,373	1,990
Net increase (decrease) in cash	4,373	(225)
Cash at beginning of period	1,353	1,736
Cash at end of period	$ 5,726	$ 1,511

See accompanying notes to the condensed consolidated financial statements.

**DiaMedica Therapeutics Inc.
Notes to the Condensed Consolidated Financial Statements**

1. Business

DiaMedica Therapeutics Inc. and its wholly-owned subsidiaries, DiaMedica USA, Inc. and DiaMedica Australia Pty Ltd. (collectively "we," "us," "our" and the "Company"), exist for the primary purpose of advancing the clinical and commercial development of a proprietary recombinant KLK1 protein for the treatment of neurological and kidney diseases with our primary focus on acute ischemic stroke and chronic kidney disease. The Company is a listed company incorporated under the Canada Business Corporations Act and our shares are publicly traded on the TSX Venture Exchange in Canada under the symbol "DMA" and the OTCQB in the United States under the symbol "DMCAF."

2. Risks, Uncertainties and Going Concern

The Company operates in a highly regulated and competitive environment. The development, manufacturing and marketing of pharmaceutical products require approval from, and are subject to ongoing oversight by, the Food and Drug Administration ("FDA") in the United States, the European Medicines Agency ("EMA") in the European Union, and comparable agencies in other countries. Obtaining approval for a new pharmaceutical product is never certain, may take many years, and is normally expected to involve substantial expenditures.

As of June 30, 2018, we have incurred losses of $42.6 million since our inception in 2000. For the six months ended June 30, 2018, we incurred a net loss of $2.4 million, and incurred negative cash flows from operating activities of $2.0 million for this period. We expect to incur substantial losses for the foreseeable future, which will continue to generate negative net cash flows from operating activities, as we continue to pursue research and development activities and the clinical development of our primary product candidate, DM199. As of June 30, 2018, we had cash of $5.7 million, working capital of $5.0 million and shareholders' equity of $5.4 million. The Company's principal sources of cash have included the issuance of equity securities.

The accompanying interim condensed consolidated financial statements have been prepared assuming that we will continue as a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business and do not include any adjustments relating to the recoverability or classification of assets or the amounts of liabilities that might result from the outcome of these uncertainties. Our ability to continue as a going concern, realize the carrying value of our assets and discharge our liabilities in the ordinary course of business is dependent upon a number of factors, including our ability to obtain additional financing, the success of our development efforts, our ability to obtain marketing approval for our initial product candidate, DM199, in the United States, the European Union or other markets and ultimately our ability to market and sell our initial product candidate. These factors, among others, raise substantial doubt about our ability to continue operations as a going concern. See Note 3 titled "Liquidity, Management's Plans and Going Concern."

3. Liquidity and Management Plans

As of December 31, 2017 and June 30, 2018, the Company has an accumulated deficit of $40.2 million and $42.6 million, respectively, and the Company has not generated positive cash flow from operations since its inception.

Additional funding will be required to continue the Company's research and development and other operating activities. In the next 12 months we will likely seek to raise additional funds through various sources, such as equity and debt financings, or through strategic collaborations and license agreements. We can give no assurances that we will be able to secure additional sources of funds to support our operations, or if such funds are available to us, that such additional financing will be sufficient to meet our needs or on terms acceptable to us. This risk would increase if our clinical data is not positive or economic and market conditions deteriorate.

During March 2018, the Company completed a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. In addition, during February 2018, 2,425,125 common shares were issued on the exercise of warrants for gross proceeds of approximately $484,000.

If we are unable to obtain additional financing when needed, we would need to scale back our operations taking actions that may include, among other things, reducing use of outside professional service providers, reducing staff or staff compensation, significantly modify or delay the development of our DM199 product candidate, license to third parties the rights to commercialize our DM199 product candidate for acute ischemic stroke, chronic kidney disease or other applications that we would otherwise seek to pursue, or cease operations.

Our future success is dependent upon our ability to obtain additional financing, the success of our development efforts, our ability to demonstrate clinical progress for our DM199 product candidate in the United States or other markets, our ability to obtain required governmental approvals of our product candidate and ultimately our ability to license or market and sell our DM199 product candidate. If we are unable to obtain additional financing when needed, if our clinical trials are not successful, if we are unable to obtain required governmental approvals, we would not be able to continue as a going concern and would be forced to cease operations and liquidate our company.

There can be no assurances that we will be able to obtain additional financing on commercially reasonable terms, or at all. The sale of additional equity securities would likely result in dilution to our current shareholders.

4. Basis of presentation

We have prepared the accompanying interim condensed consolidated financial statements in accordance with accounting principles general accepted in the United States ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. These interim condensed consolidated financial statements reflect all adjustments consisting of normal recurring accruals, which, in the opinion of management, are necessary to present fairly our consolidated financial position, consolidated results of operations, consolidated statement of shareholders' equity and consolidated cash flows for the periods and as of the dates presented. Our fiscal year ends on December 31. The condensed consolidated balance sheet as of December 31, 2017 was derived from audited consolidated financial statements but does not include all disclosures required by US GAAP. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto. The nature of our business is such that the results of any interim period may not be indicative of the results to be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current basis of presentation.

Recently issued accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases. The guidance in ASU 2016-02 supersedes the lease recognition requirements in the Accounting Standards Codification Topic 840, Leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The new standard requires the immediate recognition of all excess tax benefits and deficiencies in the income statement and requires classification of excess tax benefits as an operating activity as opposed to a financing activity in the statements of cash flows. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is evaluating the standard's impact on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This ASU is effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. Management is currently evaluating the impact of the new guidance on our consolidated financial statements.

5. Summary of Significant Accounting Policies

Principles of consolidation

The accompanying interim condensed consolidated financial statements include the assets, liabilities and expenses of DiaMedica Therapeutics Inc., and our wholly-owned subsidiaries, DiaMedica USA, Inc. and DiaMedica Australia Pty Ltd. All significant intercompany transactions and balances have been eliminated in consolidation.

Functional currency

The United States dollar is the functional currency that represents the economic effects of the underlying transactions, events and conditions and various other factors including the currency of historical and future expenditures and the currency in which funds from financing activities are mostly generated by the Company. A change in the functional currency occurs only when there is a material change in the underlying transactions, events and condition. A change in functional currency could result in material differences in the amounts recorded in the consolidated statement of loss and comprehensive loss for foreign exchange gains and losses. All amounts in the accompanying condensed consolidated financial statements are in U.S. dollars unless otherwise indicated.

Use of estimates

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. Cash is deposited in demand accounts at commercial banks. At times, such deposits may be in excess of insured limits. The Company has not experienced any losses on its deposits of cash.

Fair value of financial instruments

Carrying amounts of certain of the Company's financial instruments, including amounts receivable, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate fair value due to their short maturities. Certain of the Company's common share purchase warrants are required to be reported at fair value. The fair value of common share purchase warrants is disclosed in Note 10 titled "Warrant Liability."

Fair value measurements

Fair value is defined as the exit price, or amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The hierarchy is broken down into three levels defined as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2—Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or model-derived valuations for which all significant inputs are observable, either directly or indirectly.

- Level 3—Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

Our cash and equivalents consist of bank deposits. As of June 30, 2018, the Company believes that the carrying amounts of its other financial instruments, including amounts receivable, accounts payable and accrued liabilities, approximate their fair value due to the short-term maturities of these instruments.

Common share warrant liability

The common share warrants that were issued in connection with the February 2016 private placements of common shares are classified as a liability in the consolidated balance sheets, as the common share warrants have an exercise price stated in Canadian dollars, which is different than the functional currency, and thus these warrants qualify as a derivative instruments. The fair value of these common share warrants is re-measured at each financial reporting period and immediately before exercise, with any changes in fair value being recognized as a component of other income (expense) in the consolidated statements of operations. These warrants were exercised in February 2018, see Note 10 titled “Warrant Liability.”

Long-lived assets

Property and equipment are stated at purchased cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives of three to ten years for office equipment and four years for computer equipment. Upon retirement or sale, the cost and related accumulated depreciation are removed from the consolidated balance sheets and the resulting gain or loss is reflected in the consolidated statements of operations. Repairs and maintenance are expensed as incurred.

Long-lived assets are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset or related group of assets may not be recoverable. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized at that time. Measurement of impairment may be based upon appraisal, market value of similar assets or discounted cash flows.

Research and development costs

Research and development costs include expenses incurred in the conduct of human clinical trials, for third-party service providers performing various testing and accumulating data related to non-clinical studies; sponsored research agreements; developing the manufacturing process necessary to produce sufficient amounts of the DM199 compound for use in our non-clinical studies and human clinical trials; consulting resources with specialized expertise related to execution of our development plan for our DM199 product candidate; and personnel costs, including salaries, benefits and share-based compensation.

We charge research and development costs, including clinical trial costs, to expense when incurred. Our human clinical trials are performed at clinical trial sites and are administered jointly by us with assistance from contract research organizations ("CROs"). Costs of setting up clinical trial sites are accrued upon execution of the study agreement. Expenses related to the performance of clinical trials are accrued based on contracted amounts and the achievement of agreed upon milestones, such as patient enrollment, patient follow-up, etc. We monitor levels of performance under each significant contract, including the extent of patient enrollment and other activities through communications with the clinical trial sites and CROs, and adjust the estimates, if required, on a quarterly basis so that clinical expenses reflect the actual work performed at each clinical trial site and by each CRO.

Share-based compensation

The cost of employee and non-employee services received in exchange for awards of equity instruments is measured and recognized based on the estimated grant date fair value of those awards. Compensation cost is recognized ratably using the straight-line attribution method over the vesting period, which is considered to be the requisite service period. We record forfeitures in the periods in which they occur.

The fair value of share-based awards is estimated using the Black-Scholes option pricing model. The determination of the fair value of share-based awards is affected by our share price, as well as assumptions regarding a number of complex and subjective variables. Risk free interest rates are based upon Canadian Government bond rates appropriate for the expected term of each award. Expected volatility rates are based on the on historical volatility equal to the expected life of the option. The assumed dividend yield is zero, as we do not expect to declare any dividends in the foreseeable future. The expected term of options is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past.

Government assistance

Government assistance relating to research and development performed by DiaMedica Australia Pty Ltd. is recorded as a component of Other Income (Expense). Government assistance is initially recognized when reasonable assurance exists that the Company will comply with the conditions attached to the incentive program and that the incentive payments will be received. In subsequent periods, the government assistance is recognized when the related expenditures are incurred.

Net loss per share

We compute net loss per share by dividing our net loss (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Shares issued during the period and shares reacquired during the period, if any, are weighted for the portion of the period that they were outstanding. The computation of diluted earnings per share, or EPS, is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Our diluted EPS is the same as basic EPS due to common equivalent shares being excluded from the calculation, as their effect is anti-dilutive.

The following table summarizes our calculation of net loss per common share for the periods (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net loss	$ (1,735)	$ (1,292)	$ (2,385)	$ (2,789)
Weighted average shares outstanding—basic and diluted	156,429,929	119,140,821	143,753,187	114,857,354
Basic and diluted net loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

The following outstanding potential common shares were not included in the diluted net loss per share calculations as their effects were not dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Employee and non-employee stock options	12,549,689	9,600,689	12,549,689	9,600,689
Common shares issuable under common share purchase warrants	16,625,026	2,562,050	16,625,026	2,562,050
Common shares issuable under deferred share unit plan	423,676	423,676	423,676	423,676

6. Amounts Receivable

Amounts receivable consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Research and development incentives	257	—
Sales-based taxes receivable	65	80
Total amounts receivable	$ 322	$ 80

7. Deposit

Deposit consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Advances to vendor	$ 271	$ 271
Total Deposit	$ 271	$ 271

We have advanced funds to a vendor engaged to support the performance of the REMEDY Phase 2 clinical trial. The funds advanced will be held, interest free, by this vendor until the completion of the trial and applied to final trial invoices or refunded. This deposit is classified as non-current as the trial is not expected to be completed during 2018

8. Property and Equipment

Property and equipment consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Furniture and equipment	$ 37	$ 40
Computer equipment	50	23
	87	63
Less accumulated depreciation	(14)	(26)
Property and equipment, net	$ 73	$ 37

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Trade and other payables	$ 452	$ 513
Accrued compensation and related	423	355
Accrued clinical study costs	177	—
Accrued research and other professional fees	62	45
Offering costs	5	—
Other accrued liabilities	28	6
Total accrued liabilities	$ 1,147	$ 919

10. Warrant Liability

In February 2016, the Company completed, in two tranches, a non-brokered private placement of 4,687,500 units with each unit consisting of one common share and one half of one common share purchase warrant. The Company issued 2,343,750 warrants. Each warrant entitles the holder to purchase one common share at a price of $0.25 Canadian dollars at any time prior to expiry on February 18 or 25, 2018 for Tranche 1 and Tranche 2, respectively.

As the warrant exercise price is stated in Canadian dollars and the Company's functional currency is the U.S. dollar, the warrants are deemed to be a derivative, with their estimated fair value classified as a liability on the Company's consolidated balance sheet. The initial estimated fair value of the warrants was recorded as a warrant liability with subsequent changes in the estimated fair value recognized in the consolidated statements of operations and comprehensive loss. The Company allocated $281,000 of the net proceeds to the warrant liability and the balance of the proceeds to the common shares (Note 9). The initial fair value of the warrants was determined using a Black- Scholes pricing model with the following assumptions: expected volatilities of 191.8 – 225.0%, risk-free interest rates of 0.43 – 0.49%, and expected life of 2 years.

In connection with the offering, the Company issued an aggregate of 218,300 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at $0.25 Canadian dollars for a period of 2 years from the date of issuance, subject to acceleration on the same terms as the common share purchase warrants. The Company estimated the value of these warrants at $24,000, which was included in the issuance costs. The initial fair value of the warrants was determined using a Black-Scholes valuation model with the following assumptions: expected volatilities of 191.8 – 225.0%, risk-free interest rates of 0.43 – 0.49%, and expected life of 2 years.

During February 2018, 2,425,125 common shares were issued on the exercise of warrants for gross proceeds of approximately $483,000 and the remaining 86,925 warrants expired.

The fair value of the Company's common share purchase warrant liability is calculated using a Black-Scholes valuation model and is classified as Level 3 in the fair value hierarchy. The fair values at the time of exercise of the warrants were estimated using the following valuation assumptions:

	Warrant Valuation
Common share fair value	$0.31
Risk-free interest rate	1.84%
Expected dividend yield	0%
Expected life (years)	0.01 – 0.03
Expected share price volatility	16.7%

The following is a rollforward of the fair value of Level 3 warrants (in thousands):

	Warrant Liability
Ending balance December 31, 2017	$ 84
Change in fair value	39
Exercises	(123)
Ending balance June 30, 2018	$ —

11. Shareholders' Equity

Authorized capital stock

The Company has authorized share capital of an unlimited number of common voting shares and the shares do not have a stated par value.

Common shareholders are entitled to receive dividends as declared by the Company, if any, and are entitled to one vote per share at the Company's annual general meeting and any extraordinary general meeting.

Private placements during 2018

On March 29, 2018, the Company completed, in two tranches, a brokered and non-brokered private placement of 26,489,284 units at a price of $0.245 per unit for aggregate gross proceeds of approximately $6.3 million. 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 $0.35 at any time prior to expiry on March 19, 2020 and March 29, 2020 for Tranche 1 and Tranche 2, respectively. The warrants are subject to early expiry under certain conditions. 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 $0.60 per common share for any 21 consecutive trading days. In connection with this offering, the Company paid aggregate finder's fees of approximately $384,000 and issued an aggregate of 1,610,174 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at $0.245 for a period of 2 years from the closing of this offering, subject to acceleration on the same terms as the common share purchase warrants.

During the six months ended June 30, 2018, 2,452,125 common shares were issued on the exercise of warrants for gross proceeds of $491,000 and 339,083 common shares were issued on the exercise of options for gross proceeds of $43,000.

Private placements during 2017

On December 18, 2017, the Company completed a non-brokered private placement of 3,624,408 units at a price of $0.26 per unit for aggregate gross proceeds of approximately $944,000, or $934,000 net of issuance costs. 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 $0.35 at any time prior to expiry on December 19, 2019. Warrants are subject to early expiry, at the option of the Company, if on any date the volume-weighted average closing trading price of the common shares on any recognized Canadian stock exchange equals or exceeds $0.60 for a period of 21 consecutive trading days.

On April 17, 2017, the Company completed a non-brokered private placement of 10,526,315 units at a price of $0.19 per unit for aggregate gross proceeds of approximately $2,000,000, or $1,983,000 net of issuance costs. 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 $0.23 at any time prior to expiry on April 17, 2019. Warrants are subject to early expiry, at the option of the Company, if on any date the volume-weighted average closing trading price of the common shares on any recognized Canadian stock exchange equals or exceeds $0.30 for a period of 10 consecutive trading days.

During the year ended December 31, 2017, 50,000 common shares were issued on the exercise of warrants for gross proceeds of $9,913 and 60,000 common shares were issued on the exercise of options for gross proceeds of $6,749.

Shares reserved

Common shares reserved for future issuance are as follows:

	June 30, 2018
Stock options outstanding	12,549,689
Deferred share units outstanding	423,676
Shares available for grant under the DiaMedica Stock Option Plan	3,116,686
Common shares issuable under common share purchase warrants	16,625,026
Total	32,715,077

12. Share-Based Compensation

Deferred share unit plan

The 2012 Deferred Share Unit Plan (the "2012 DSU Plan") promotes greater alignment of long-term interests between non-executive directors and executive officers of the Company and its shareholders through the issuance of deferred share units ("DSUs"). Since the value of DSUs increases or decreases with the market price of the common shares, DSUs reflect a philosophy of aligning the interests of directors and executive officers by tying compensation to share price performance. For the six months ended June 30, 2018 and 2017, there were no DSUs or common shares underlying DSUs issued. The Company has reserved for issuance up to 2,000,000 common shares under the 2012 DSU Plan and 423,676 DSUs were outstanding at June 30, 2018.

Stock option plan

DiaMedica has adopted a Stock Option Plan (the "Option Plan") where the Board of Directors may from time to time, in its sole discretion, and in accordance with the requirements of the Toronto (TSX) Venture Exchange, 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 shareholders approved the adoption of the Option Plan on September 22, 2011, which was then amended and restated on October 23, 2015 and December 21, 2017, reserving for issuance up to 10% of the Company's issued and outstanding common shares. Options granted vest at various rates and have terms of up to 10 years. As of June 30, 2018, options to purchase 12,549,689 common shares were outstanding. As the TSX Venture Exchange is the principal trading market for the Company's shares, all options have been priced in Canadian dollars.

The aggregate number of common shares reserved as of June 30, 2018 was 16,090,051, which includes both the Option Plan and the 2012 DSU Plan.

Share-based compensation expense for each of the periods presented is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Research and development	$ 81	$ 11	$ 103	$ 20
General and administrative	211	67	342	155
Total share-based compensation	$ 292	$ 78	$ 445	$ 175

We recognize share-based compensation based on the fair value of each award as estimated using the Black-Scholes option valuation model. Ultimately, the actual expense recognized over the vesting period will only be for those shares that actually vest.

A summary of option activity is as follows (in thousands except share and per share amounts):

	Shares Underlying Options	Weighted Average Exercise Price Per Share (CAD$)	Aggregate Intrinsic Value (CAD$)
Balances at December 31, 2017	9,600,689	$ 0.32	$ 674
Granted	3,336,000	0.56	
Exercised	(339,083)	0.16	
Expired / cancelled	—	—	
Forfeited	(47,917)	0.28	
Balances at June 30, 2018	12,549,689	$ 0.39	$ 4,017

Information about stock options outstanding, vested and expected to vest as of June 30, 2018, is as follows:

	Outstanding, Vested and Expected to Vest			Options Vested and Exercisable	
Per Share Exercise Price (CAD$)	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (CAD$)	Options Exercisable	Weighted Average Remaining Contractual Life (Years)
$0.10-$0.13	1,000,000	7.3	$ 0.10	1,000,000	7.3
$0.14-$0.16	2,508,000	7.4	0.15	2,063,000	7.4
$0.17-$0.26	2,608,105	8.5	0.26	1,437,271	8.5
$0.27-$0.51	2,094,584	8.9	0.32	694,583	9.0
$0.52-$1.70	4,339,000	8.5	0.71	1,003,000	4.4
	12,549,689	8.3	$ 0.39	6,197,854	7.3

The cumulative grant date fair value of employee options vested during the three months ended June 30, 2018 and 2017 was $418,000 and $278,000, respectively. The cumulative grant date fair value of employee options vested during the six months ended June 30, 2018 and 2017 was $139,000 and $72,000, respectively.

Nonemployee share-based compensation

We account for stock options granted to nonemployees in accordance with FASB ASC 505. In connection with stock options granted to nonemployees, we recorded $240,000 and $118,000 for nonemployee share-based compensation during the six months ended June 30, 2018 and 2017, respectively.

These amounts were based upon the fair values of the vested portion of the grants. Amounts expensed during the remaining vesting period will be determined based on the fair value at the time of vesting.

13. Subsequent Events

For the interim condensed consolidated financial statements, management evaluated subsequent events through September 17, 2018, the date these condensed consolidated financial statements were available to be issued.

Exhibit 3.3

CONFIDENTIAL TREATMENT REQUESTED BY DIAMEDICA THERAPEUTICS INC. PURSUANT TO 17 C.F.R. SECTION 200.83

Certificate of Amendment

Canada Business Corporation Act

Certificat de modification

Loi canadienne sur les sociétés par actions

DiaMedica Therapeutics Inc.

Corporate name / Dénomination sociale

970609-7

Corporation number / Numéro de société

I HEREBY CERTIFY that the articles of the above-named corporation are amended under section 178 of the *Canada Business Corporations Act* as set out in the attached articles of amendment.

JE CERTIFIE que les statuts de la société susmentionnée sont modifiés aux termes de l'article 178 de la *Loi canadienne sur les sociétés par actions*, tel qui'il est indiqué dans les clauses modificatrices ci-jointes.

/s/ Virginie Ethier

Virginie Ethier

Director / Directeur

2018-09-24

Date of amendment (YYYY-MM-DD)
Date de modification (AAAA-MM-JJ)

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

Form 4
Articles of Amendment
Canada Business Corporations Act (CBCA) (s. 27 or 177)

Formulaire 4
Clauses modificatrices
Loi canadienne sur le société par actions (LCSA) (art. 27 ou 177)

1 Corporate name
Dénomination sociale
DiaMedica Therapeutics Inc.

2 Corporation number
Numéro de la société
970609-7

3 The articles are amended as follows
Les statuts sont modifiés de la façon suivante

The corporation amended the other provisions as follows:
Les autres dispositions sont modifiées comme suit:
See attached schedule / Voir l'annexe ci-jointe

4 Declaration: I certify that I am a director or an officer of the corporation.
Déclaration: J'atteste que je suis un administrateur ou un dirigeant de la société.

Original signed by / Original signé par
Rick Pauls

Rick Pauls
763-710-4455

Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding $5000 or to imprisonment for a term not exceeding six months or both (subsection 250(1) of the CBCA).

Faire une fausse déclaration constitue une infraction et son auteur, sur déclaration de culpabilité par procedure sommaire, est passible d'une amende maximale de 5000 $ et d'un emprisonnement maximal de six mois, ou l'une de ces peines (paragraphe 250(1) de la LCSA).

You are providing information required by the CBCA. Note that both the CBCA and the *Privacy Act* allow this information to be disclosed to the public. It will be stored in personal information bank number IC/PPU-049.

Vous fournissez des renseignements exigés par la LCSA. Il est à noter que la LCSA et la *Loi sur les renseignements personnels* permettent que de tels renseignements soient divulgués au public. Ils seront stockés dans la banque de renseignements personnels numéro IC/PPU-049.

Canada

Schedule / Annexe

Other Provisions / Autres dispositions

Item D of the Articles of DiaMedica Therapeutics Inc. are amended in accordance with Section 173(1)(m) and 173(1)(o) of the Canada Business Corporations Act as follows:

ADD Schedule “B” as follows:

SCHEDULE “B”

OTHER RULES OR PROVISIONS (IF ANY):

1. The directors may, between annual meetings of shareholders, appoint one or more additional directors of the Corporation to serve until the next annual meeting of shareholders, but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last meeting of the shareholders of the Corporation.

2. Meetings of shareholders of the Corporation shall be held anywhere inside Canada or the United States that the directors determine.

Exhibit 3.6

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

DIAMEDICA THERAPEUTICS INC.

BY-LAWS

Amended and Restated September 30, 2018 (the "Effective Date")

BY-LAW NO. 1

A by-law relating generally to
the transaction of the business
and affairs of

DIAMEDICA THERAPEUTICS INC.
(the "Corporation")

C O N T E N T S

SECTION 1

1. INTERPRETATION

1.1 DEFINITIONS

In the bylaw of the Corporation, unless the context otherwise requires:

"**Act**" means the **Canada Business Corporations Act**, and any statute that may be substituted therefor, as from time to time amended;

"**appoint**" includes "elect" and vice versa;

"**articles**" means the articles of incorporation (Form 1) filed with Consumer and Corporate Affairs Canada as from time to time amended or restated;

"**board**" means the board of directors of the Corporation;

"**bylaws**" means this bylaw and all other bylaws of the Corporation from time to time in force and effect;

"**Corporation**" means DiaMedica Therapeutics Inc.;

"**meeting of shareholders**" includes an annual meeting of shareholders and a special meeting of shareholders; "special meeting of shareholders" means a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

"**non-business day**" means Saturday, Sunday and any other day that is a holiday as defined in the **Interpretation Act** (Canada);

"**recorded address**" means in the case of a shareholder his address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holdings or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation;

"**signing officer**" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.4 or by a resolution passed pursuant thereto.

1.2 Save as aforesaid, words and expression defined in the Act have the same meanings when used herein.

1.3 Words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

1.4 The insertion of headings in this bylaw is for convenience of reference only and shall not affect the construction of interpretation thereof.

SECTION 2

2. BUSINESS OF THE CORPORATION

2.1 REGISTERED OFFICE

Until changed in accordance with the Act, the registered office of the Corporation shall be in the Province of British Columbia at such location therein as the board may from time to time determine.

2.2 CORPORATE SEAL

The board may provide for a corporate seal of the Corporation.

2.3 FINANCIAL YEAR

The financial year of the Corporation shall end on the date chosen by the board.

2.4 EXECUTION OF INSTRUMENTS

Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one director or officer of the Corporation. In addition, the board may from time to time direct the manner in which, and the person or persons by whom, any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.5 BANKING ARRANGEMENTS

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.6 VOTING RIGHTS IN OTHER BODIES CORPORATE

The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.7 FINANCIAL ASSISTANCE

Subject to the Act and the approval of the board of directors, the Corporation may provide financial assistance in any form to any party, including related or affiliated parties.

SECTION 3

3. BORROWING AND SECURITIES

3.1 BORROWING POWER

Without limiting the borrowing powers of the Corporation as set forth in the Act, the board may from time to time:

(a) borrow money upon the credit of the Corporation;

(b) issue, reissue, sell or pledge bonds, debentures, notes or other evidence of indebtedness or guarantee of the Corporation, whether secured or unsecured; and

(c) mortgage, hypothecate, pledge or otherwise create an interest in or charge upon all or any property (including the undertaking and rights) of the Corporation, owned or subsequently acquired, by way of mortgage, hypothecation, pledge or otherwise, to secure payment of any such evidence of indebtedness or guarantee of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.2 DELEGATION

The board may from time to time delegate to such one or more of the directors and officers of the Corporation as may be designated by the board all or any of the powers conferred on the board by section 3.1 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

SECTION 4

4. DIRECTORS

4.1 NUMBER OF DIRECTORS AND QUORUM

Until changed in accordance with the Act, the board shall consist of not fewer than three and not more than ten directors. Subject to section 4.8 the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors.

4.2 QUALIFICATION

No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder. At least one quarter of the directors shall be Canadian residents.

4.3 ELECTION AND TERM

The election of directors shall take place at the first meeting of shareholders and at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors or the shareholders otherwise determine. The election shall be by ordinary resolution. If an election of directors is not held at the proper time the incumbent directors shall continue in office until their successors are elected.

4.4 REMOVAL OF DIRECTORS

Subject to the provisions of the Act, the shareholders may by ordinary resolution passed at a special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting failing which it may be filled by the directors.

4.5 VACATION OF OFFICE

A director ceases to hold office when he dies; he is removed from office by the shareholders; he ceases to be qualified for election as a director; or his written resignation is sent or delivered to the Corporation, or if a time is specified in such resignation, at the time so specified, whichever is later.

4.6 VACANCIES

Subject to the Act, a quorum of the board may fill a vacancy in the board, except a vacancy resulting from an increase in the minimum number of directors or from a failure of the shareholders to elect the minimum number of directors. In the absence of a quorum of the board, or if the vacancy has arisen from a failure of the shareholders to elect the minimum number of directors, the board shall forthwith call a special meeting of shareholders to fill the vacancy. If the board fails to call such meeting or if there are no such directors then in office, any shareholder may call the meeting.

4.7 ACTION BY THE BOARD

The board shall manage the business and affairs of the Corporation. Subject to sections 4.8, 4.9 and 5.1, the powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy on the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office.

4.8 CANADIAN MAJORITY

The board shall not transact business at a meeting, other than filling a vacancy in the board, unless the requisite minimum number of resident Canadian directors required by the Act are present, except where:

(a) a resident Canadian director who is unable to be present approves in writing or by telephonic, electronic or other communications facilities the business transacted at the meeting; and

(b) the required minimum number of resident Canadian directors would have been present had the director been present at the meeting.

4.9 MEETINGS BY TELEPHONE

If all the directors consent, a director may participate in a meeting of the board or of a committee of the board by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to hear each other, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board held while a director holds office.

4.10 PLACE OF MEETINGS

Meetings of the board may be held at any place in or outside Canada.

4.11 CALLING OF MEETINGS

Meetings of the board shall be held from time to time and at such place as the board, the chairman of the board, the managing director, the chief executive officer or any two directors may determine.

4.12 NOTICE OF MEETING

Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.1 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, and there shall be included within such exception any proposal to:

(a) submit to the shareholders any question or matter requiring approval of the shareholders;

(b) fill a vacancy among the directors or in the office of auditor;

(c) issue securities;

(d) declare dividends;

(e) purchase, redeem or otherwise acquire shares of the Corporation;

(f) pay a commission for the sale of shares;

(g) approve a management proxy circular;

(h) approve a take-over bid circular or directors' circular;

(i) approve any annual financial statements; or

(j) adopt, amend or repeal bylaws.

A director may in any manner waive notice of or otherwise consent to a meeting of the board.

4.13 FIRST MEETING OF NEW BOARD

Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.14 ADJOURNED MEETING

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.15 REGULAR MEETINGS

The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meeting shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.16 CHAIRMAN

The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, managing director, chief executive officer, or a vice-president who is a director. If no such officer is present, the directors present shall choose one of their number to be chairman.

4.17 VOTES TO GOVERN

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, if the chairman of the board is the chairman of the meeting, then the chairman of the board shall be entitled to a second or casting vote. In all other circumstances, no chairman of a meeting other than the chairman of the board shall be entitled to a second or casting vote.

4.18 CONFLICT OF INTEREST

A director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act and shall otherwise act or refrain from acting as regards such material contract or proposed material contract as the Act may provide.

4.19 REMUNERATION AND EXPENSES

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

SECTION 5

5. COMMITTEES

5.1 EXECUTIVE COMMITTEE

The directors of the Corporation may, from time to time, elect from among their number an executive committee consisting of not less than two persons in number, and may delegate to such executive committee, subject to such restrictions, if any, as may be imposed from time to time by the directors, such powers of the board of directors as may be granted in any resolution duly passed by the directors, except those powers which, under the Act, a committee of directors has no authority to exercise. A majority of the members of the executive committee shall be resident Canadians. The directors may from time to time remove any member of the executive committee, and may from time to time appoint another one or more of their number to the executive committee. Any director of the Corporation who is not a member of the executive committee shall have the right to be present at any meeting of the executive committee. Subject to the provisions of section 4.9, the powers of the executive committee may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the executive committee. Meetings of the executive committee may be held at any place in or outside Canada. Every question to be decided by a meeting of the executive committee shall be decided by a majority of the votes cast on the question; and in case of an equality of votes, the chairman of the meeting shall have a second or casting vote. The members of the executive committee shall at all meetings appoint one of their members to be chairman of the meeting, and another of their members to be secretary of the meeting. The secretary of such meeting shall take minutes of such meeting and shall, within a reasonable time following such meeting, cause such minutes to be typewritten and to be deposited with the secretary of the Corporation at the head office of the Corporation. The secretary of the Corporation shall maintain at the head office of the Corporation a book wherein shall be bound all minutes of meetings of the executive committee. Any director of the Corporation shall have the right to inspect such book for reasonable periods of time and during reasonable business hours, and to make copies thereof and to copy extracts therefrom.

5.2 ADVISORY COMMITTEES

The board may from time to time elect or appoint such other committees as it may deem advisable, but the function of such other committees shall be advisory only.

5.3 AUDIT COMMITTEE

Unless the Director of the Corporations Directorate authorizes the Corporation to dispense with an audit committee, if the Corporation is a distributing corporation as defined in the Regulations under the Act, the Corporation shall have an audit committee comprised of not less than three directors of the Corporation, two of whom are not officers or employees of the Corporation or any of its affiliates. If the Corporation is not a distributing corporation as defined in the Regulations under the Act, the Corporation may have an audit committee comprised of not less than three directors of the Corporation, two of whom are not officers or employees of the Corporation or any of its affiliates. The audit committee shall have the power and duties provided in the Act.

5.4 PROCEDURES

Unless otherwise ordered by the board, and subject to the provisions of the Act and this bylaw, each committee shall have power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

SECTION 6

6. OFFICERS

6.1 APPOINTMENT

The board may from time to time appoint a president, chief executive officer, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a chief financial officer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this bylaw and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to sections 6.2 and 6.3, an officer may but need not be a director and one person may hold more than one office.

6.2 CHAIRMAN OF THE BOARD

The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this bylaw assigned to the managing director or to the chief executive officer; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the chief executive officer.

6.3 MANAGING DIRECTOR

The board may from time to time appoint a managing director who shall be a resident Canadian and a director. If appointed, he shall have general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such others powers and duties as the board may specify. During the absence or disability of the chief executive officer, or if no chief executive officer has been appointed, the managing director shall also have the powers and duties of that office.

6.4 CHIEF EXECUTIVE OFFICER

If appointed, the chief executive officer, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the chief executive officer shall also have the powers and duties of that office.

6.5 VICE-PRESIDENT

A vice-president shall have such powers and duties as the board or the chief executive officer may specify.

6.6 SECRETARY

The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.7 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as chief financial officer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer otherwise directs.

6.8 POWERS AND DUTIES OF OTHER OFFICERS

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.9 VARIATION OF POWERS AND DUTIES

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.10 TERM OF OFFICE

The board, in its discretion, may remove any officer of the Corporation without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed.

6.11 TERMS OF EMPLOYMENT AND REMUNERATION

The terms of employment and the remuneration of officers appointed by the board shall be settled by it from time to time.

6.12 CONFLICT OF INTEREST

An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 4.18.

6.13 AGENTS AND ATTORNEYS

The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to subdelegate) as may be thought fit.

6.14 FIDELITY BONDS

The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

SECTION 7

7. PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.1 LIMITATION OF LIABILITY

No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own willful neglect or default; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

7.2 INDEMNITY

Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Corporation or any such body corporate) and his heirs and legal representatives, against any and all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if:

(a) he acted honestly and in good faith with a view to the best interests of the Corporation; and

(b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he has reasonable grounds for believing that his conduct was lawful.

Subject to the Act and the approval of the board of directors, the Corporation may advance anticipated defense costs in respect of the foregoing.

7.3 INSURANCE

Subject to the limitations contained in the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as such, as the board may from time to time determine.

7.4 INDEMNITITES NOT LIMITING

The provisions of this Section 7 shall be in addition to an not in substitution for or limitation of any rights, immunities and protections to which a person is otherwise entitled.

SECTION 8

8. SHARES

8.1 ISSUE OF SECURITIES

The board may from time to time issue or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine provided that no share shall be issued until it is fully paid as prescribed by the Act.

8.2 STATED CAPITAL ACCOUNTS

The Corporation shall maintain a separate stated capital account for each class and series of shares it issues.

8.3 ENTRIES IN STATED CAPITAL ACCOUNT

The Corporation shall add to the appropriate stated capital account the full amount of any consideration it receives for any shares it issues.

8.4 COMMISSIONS

The board may from time to time authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.5 REGISTRATION OF TRANSFER

Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered holder or by his attorney or successor duly appointed, together with such reasonable assurance or evidence of signature, identification and authority to transfer as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, and upon compliance with such restrictions on transfer as are authorized by the articles.

8.6 TRANSFER AGENTS AND REGISTRARS

The board may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch securities registers and one or more branch transfer agents to maintain branch registers of transfers, but one person may be appointed both registrar and transfer agent. The board may at any time terminate any such appointment.

8.7 NON-RECOGNITION OF TRUSTS

Subject to the provisions of the Act, the Corporation shall treat as absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in the Corporation's records or on the share certificate.

8.8 SHARE CERTIFICATES

Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Share certificates and acknowledgements of a shareholder's right to a share certificate, respectively, shall be in such form as the board shall from time to time approve. Any share certificate shall be signed in accordance with section 2.4 and need not be under the corporate seal; provided that, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of share certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A share certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.9 REPLACEMENT OF SHARE CERTIFICATES

The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate in lieu of and upon cancellation of a share certificate that has been mutilated or in substitution of share certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding $3.00, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.10 JOINT SHAREHOLDERS

If two or more persons are registered as joint holders of any share, the corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.11 DECEASED SHAREHOLDERS

In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agent.

SECTION 9

9. DIVIDENDS AND RIGHTS

9.1 DIVIDENDS

Subject to the provisions of the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

9.2 DIVIDEND CHEQUES

A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by pre-paid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.3 NON-RECEIPT OF CHEQUES

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.4 RECORD DATE FOR DIVIDENDS AND RIGHTS

The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, provided that notice of any such record date is given, not less than 14 days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada on which shares of the Corporation are listed for trading. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.5 UNCLAIMED DIVIDENDS

Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

SECTION 10

10. MEETINGS OF SHAREHOLDERS

10.1 ANNUAL MEETINGS

The annual meeting of shareholders shall be held at such time in each year not more than 15 months after the holding of the last preceding annual meeting and not more than six months after the fiscal year-end of the Corporation, and, subject to section 10.3, at such place as the board, the chairman of the board, the managing director or the chief executive officer may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors, and for the transaction of such other business as may properly be brought before the meeting.

10.2 SPECIAL MEETINGS

The board, the chairman of the board, the managing director or the chief executive officer shall have the power to call a special meeting of shareholders at any time. Any special meeting of shareholders may be held in conjunction with an annual meeting of shareholders.

10.3 PLACE OF MEETINGS

Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in Canada or if the articles of the Corporation permit outside Canada.

Subject to the Act, the Corporation may conduct any meeting of its shareholders by electronic means (including, but not limited to, on the Internet or other electronic communication network, by video conference or by telephone conference) if: (i) the Corporation makes the necessary technical arrangements, (ii) the notice of the meeting indicates the method by which the meeting shall be conducted.

10.4 NOTICE OF MEETINGS

Unless the Corporation is a distributing corporation (as defined in the Act), notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 11.1 not less than 10 days before the date of the meeting, as permitted by section 135(1.1) of the Canada Business Corporations Act, to each director, to the auditor and to each shareholder who at the close of business on the record date, if any, for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders. If the Corporation is a distributing corporation (as defined in the Act), notice of the time and place of each meeting of shareholders shall be send in accordance with section 135(1) of the Act.

10.5 LIST OF SHAREHOLDERS ENTITLED TO NOTICE

For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder. If a record date for the meeting is fixed pursuant to section 10.6, the shareholders listed shall be those registered at the close of business on a day not later than 10 days after such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the securities register is kept and at the place where the meeting is held.

10.6 RECORD DATE FOR NOTICE

The board may fix in advance a record date, preceding the date of any meeting of shareholders by not more than 60 days and not less than 21 days, for the determination of the shareholders entitled to notice of the meeting, provided that notice of any such record date is given, not less than 7 days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada on which the shares of the Corporation are listed for trading. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be the close of business on the day immediately preceding the day on which the notice is given.

10.7 MEETINGS WITHOUT NOTICE

A meeting of shareholders may be held without notice at any time and place permitted by the Act if:

(a) all the shareholders entitled to vote thereat are present in person or represented by proxy or if, before or after such meeting, those not present or represented by proxy waive notice of or otherwise consent to such meeting being held, and

(b) the auditors and the directors are present or, before or after such meeting, waive notice of or otherwise consent to such meeting being held. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.8 CHAIRMAN, SECRETARY AND SCRUTINEERS

The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chairman of the board, chief executive officer, managing director, or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent the chairman shall appoint some person, who need not be a shareholder to act as secretary of the meeting. If desired, one or more scrutineers who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

10.9 PERSONS ENTITLED TO BE PRESENT

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or bylaws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10.10 QUORUM

Except where the Corporation has a single shareholder, a quorum for the transaction of business at any meeting of shareholders shall be two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for an absent shareholder so entitled, and together holding or representing by proxy not less than one-third of the outstanding shares of the Corporation entitled to vote at the meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but not transact any other business.

10.11 RIGHT TO VOTE

Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders every person who is named in the list referred to in section 10.5 shall be entitled to vote the shares shown thereon opposite his name except as provided in the Act in cases where the Corporation has fixed a record date in respect of such meeting pursuant to section 10.6.

10.12 PROXIES

Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act.

10.13 TIME FOR DEPOSIT OF PROXIES

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

10.14 JOINT SHAREHOLDERS

If two or more persons hold shares jointly, any one of them present in person or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented by proxy and vote, they shall vote as one on the shares jointly held by them.

10.15 VOTES TO GOVERN

At any meeting of shareholders every question shall, unless otherwise required by the articles or bylaw or by law, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote.

10.16 SHOW OF HANDS

Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other preceding in respect of the said question, and the result to the vote so taken shall be the decision of the shareholders upon the said question.

10.17 BALLOTS

On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman directs at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.18 ADJOURNMENT

If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earlier meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given for an original meeting.

10.19 RESOLUTION IN WRITING

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

SECTION 11

11. NOTICES

11.1 METHOD OF GIVING NOTICES

Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations thereunder, the articles, the bylaws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication.

A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

Notwithstanding the foregoing, and subject to the Act, any notice or other document or communication may be sent by electronic means (including, but not limited to, facsimile transmission, electronic mail and voice mail) and any notice so delivered shall be deemed to have been given at the time of such delivery.

11.2 NOTICE TO JOINT SHAREHOLDERS

If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

11.3 COMPUTATION OF TIME

In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

11.4 UNDELIVERED NOTICES

If any notice given to a shareholder pursuant to section 11.1 is returned on three consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

11.5 OMISSIONS AND ERRORS

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.6 PERSONS ENTITLED BY DEATH OR OPERATION OF LAW

Every person who, by operation of law, transfer, death or a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.7 WAIVER OF NOTICE

Any shareholder (or his duly appointed proxyholder), director, officer, auditor, or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the bylaws or otherwise and such waiver or abridgement shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board which may be given in any manner.

SECTION 12

12. PROHIBITIONS

12.1 Definitions

In this Article 12:

(a) "security" has the meaning assigned in the Securities Act (British Columbia);

(b) "transfer restricted security" means:

(i) a share of the Company;

(ii) a security of the Company convertible into shares of the Company;

(iii) any other security of the Company which must be subject to restrictions on transfer in order for the Company to satisfy the requirement for restrictions on transfer under the "private issuer" exemption of Canadian securities legislation or under any other exemption from prospectus or registration requirements of Canadian securities legislation similar in scope and purpose to the "private issuer" exemption.

Consent Required for Transfer of Securities or Transfer Restricted Securities

No security or transfer restricted security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

The above consent does not apply to the Corporation if and for so long as it is a public corporation.

13. COUNTERPARTS

13.1 These bylaws may be executed in any number of counterparts with the same effect as if all the directors of the Corporation signed the same document and such bylaws will be deemed to have been passed on the date indicated below. All counterparts will be construed together and will constitute one instrument. A copy of these bylaws delivered by facsimile or other electronic transmission and bearing a copy of the signature of a director hereto will for all purposes be treated and accepted as an original.

14. EFFECTIVE DATE

14.1 Coming into force. This by-law shall come into force upon, and only upon, being confirmed by the shareholders entitled to vote thereon in accordance with the Act.

The foregoing bylaw is hereby consented to and confirmed as evidenced by the signature of a director of the Corporation pursuant to the provisions of the *Canada Business Corporations Act*. dated as of the 30th day of September, 2018.

/s/ Rick Pauls
Rick Pauls
Chief Executive Officer and a Director

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

BYLAW NUMBER 2.

DIAMEDICA THERAPEUTICS INC.
A bylaw respecting the borrowing of money by

BE IT ENACTED AND IT IS HEREBY ENACTED as a bylaw of DIAMEDICA THERAPEUTICS INC. (the "**Corporation**") as follows:

1. The directors may from time to time:

   (a) borrow money upon the credit of the Corporation;

   (b) issue, reissue, sell or pledge debt obligations of the Corporation; and

   (c) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any debt obligations of the Corporation, whether secured or unsecured.

2. The directors may from time to time by resolution delegate any two individuals (including the Secretary, Controller or Chief Executive Officer) each of whom is an officer of the Corporation all or any of the powers conferred on the directors by paragraph 1 of this bylaw to the full extent thereof or such lesser extent as the directors may in any such resolution provide.

3. The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of a borrowing bylaw.

The foregoing bylaw is hereby consented to and confirmed as evidenced by the signature of a Director of the Corporation pursuant to the provisions of the *Canada Business Corporations Act*, as amended from time to time or any successor statutes.

Dated as of the 30th day of September, 2018.

/s/ Rick Pauls
Rick Pauls
Chief Executive Officer and a Director

Exhibit 10.4

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

DIAMEDICA THERAPEUTICS INC.

STOCK OPTION PLAN

Amended and Restated November 6, 2018 (the "Effective Date")

1. **The Plan**

A stock option plan (the "**Plan**") pursuant to which options (hereinafter, an "**Option**" or "**Options**") to purchase common shares or such other shares or other securities as may be substituted therefor or may be acquired by a Participant (as defined in Section 6 hereof) upon the exercise of an Option the terms of which have been modified in accordance with section 15 below (collectively, the "**Shares**") in the capital of DiaMedica Therapeutics Inc. (the "**Corporation**") may be granted to the Participants is hereby established on the terms and conditions herein set forth.

2. **Purpose**

The purpose of this Plan is to advance the interests of the Corporation by encouraging the directors, officers and key employees of the Corporation and consultants retained by the Corporation to acquire Shares, thereby:

(a) increasing the proprietary interests of such persons in the Corporation;

(b) aligning the interests of such persons with the interests of the Corporation's shareholders generally;

(c) encouraging such persons to remain associated with the Corporation; and

(d) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

3. **Administration**

(a) This Plan shall be administered by the board of directors of the Corporation (the "**Board**").

(b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, exercise and method of exercise of Options, all on such terms as it shall determine in its sole discretion. In addition, the Board shall have the authority to:

(i) construe and interpret this Plan and all option agreements entered into hereunder;

(ii) prescribe, amend and rescind rules and regulations relating to this Plan; and

(iii) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries of the Participants.

(c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board or to the President or any other officer of the Corporation. Whenever used herein, the term "Board" shall be deemed to include any committee or officer to which the Board has, fully or partially, delegated responsibilities and/or authority relating to the Plan or the administration and operation of the Plan pursuant to this section 3.

(d) Options to purchase the Shares granted hereunder shall be evidenced by an agreement, signed on behalf of the Corporation and by the person to whom an Option is granted, which agreement shall be in such form as the Board shall approve, as amended from time to time by the Board.

4. **Shares Subject to Plan**

(a) Subject to section 15 below, the securities that may be acquired by Participants under this Plan shall consist of authorized but unissued common shares of the Corporation.

(b) Subject to section 15 below, the aggregate number of Shares reserved for issuance under this Plan shall not exceed the lesser of 15,678,351 Shares and ten (10%) percent of the issued shares of the Corporation at the relevant time and the aggregate number of Shares reserved for issuance under any compensation or incentive mechanism or plan (including deferred share unit plans or employee stock option plans, if any) granted by the Corporation, including this Plan, shall not exceed ten (10%) percent of the issued shares of the Corporation at the relevant time. In addition, in order that the applicable regulations under the United States Internal Revenue Code of 1986, as amended (the "**Code**") relating to an Option that is designated as and intended to meet the requirements of an "incentive stock option" within the meaning of Section 422 of the Code (an "**Incentive Stock Option**") be satisfied, the maximum number of Shares that may be issued under this Plan upon the exercise of Incentive Stock Options shall be equal to 15,678,351 Shares, subject to section 15 below.

(c) If any Option granted under this Plan shall expire or terminate for any reason without having been exercised in full, any unpurchased Shares to which such Option relates shall be available for the purposes of the granting of Options under this Plan.

5. **Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of this Plan ensure that the number of Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Plan.

6. **Eligibility and Participation**

(a) The Board may from time to time, in its sole discretion, grant an Option to any Participant, upon such terms, conditions and limitations as the Board may determine, including the terms, conditions and limitations set forth herein and in any individual option agreement between the Corporation and the Participant, provided that Options granted to any Participant shall be approved by the applicable shareholders of the Corporation if the rules of the TSX Venture Exchange (the "**Exchange**") require such approval. A reduction in the exercise price of an Option previously granted to a Participant who is currently an Insider, as defined by the Exchange, shall receive approval from the disinterested shareholders of the Corporation.

(b) The Board may, in its discretion, select any of the following Persons to participate in this Plan, provided that any such Person, at the time of issuance, was:

(i) a member of the Board of the Corporation or any Subsidiary of the Corporation;

(ii) a senior officer of the Corporation or any Subsidiary of the Corporation;

(iii) an Employee of the Corporation, or any Subsidiary of the Corporation;

(iv) a Consultant of the Corporation, or any Subsidiary of the Corporation;

Any such person having been selected for participation in this Plan by the Board is herein referred to as a "**Participant**". When such Participant is an Employee or Consultant, the Corporation represents that the Participant is a bona fide Employee or Consultant.

For purposes of this Plan, "**Subsidiary**" means any corporation or other entity, whether domestic or foreign, in which the Corporation has or obtains, directly or indirectly, an interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

(c) Where used herein:

"Consultant" means an individual who:

(i) provides ongoing consulting services to the Corporation or any subsidiary of the Corporation under a written contract, which services (a) are not in connection with the offer and sale of the Corporation's securities in a capital raising transaction and (b) do not directly or indirectly promote or maintain a market for the Corporation's securities, and

(ii) possesses technical, business or management expertise of value to the Corporation or any subsidiary of the Corporation, and

(iii) spends a significant amount of time and attention on the business and affairs of the Corporation or any subsidiary of the Corporation; and

(iv) has a relationship with the Corporation of any subsidiary of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.

"Employee" means:

(i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source); or

(ii) an individual who works full time for the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or

(iii) an individual who works for the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

"Person" means an individual.

(d) Incentive Stock Options may be granted solely to eligible Employees of the Corporation or a Subsidiary. The Board may designate whether an Option is to be considered an Incentive Stock Option or not. To the extent that any Incentive Stock Option (or portion thereof) granted under this Plan ceases for any reason to qualify as an "incentive stock option" for purposes of Section 422 of the Code, such Incentive Stock Option (or portion thereof) will continue to be outstanding for purposes of this Plan but will thereafter be deemed to be a non-statutory stock option. Options may be granted to a Participant for services provided to a Subsidiary only if, with respect to such Participant, the underlying Shares constitute "service recipient stock" within the meaning of Treas. Reg. Sec. 1.409A-1(b)(5)(iii) promulgated under the Code.

7. **Exercise Price**

The Board shall, at the time an Option is granted under this Plan, fix the exercise price at which Shares may be acquired upon the exercise of such Option provided that the minimum exercise price shall not be less than the Market Price; provided, however, that such price will not be less than one hundred percent (100%) of the Market Price of one Share on the grant date (one hundred and ten percent (110%) of the Market Price if, at the time the Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or any parent or Subsidiary corporation of the Corporation).

Where used herein " Market Price" means, subject to certain exceptions required by the rules of the Exchange, the higher of: (a) the last daily closing price of the Shares before either the issuance of the news release or the filing of a price reservation form (Form 4A) required to fix the price at which the securities are issued or deemed to be issued; or (b) the closing sale price of a Share as of the end of the regular trading session on such date, as reported by the Nasdaq Stock Market or any national securities exchange on which the Shares are then listed (or, if no shares were traded on such date, as of the next preceding date on which there was such a trade) or if the Shares are not so listed, admitted to unlisted trading privileges or reported on any national exchange, the closing sale price as of the immediately preceding trading date at the end of the regular trading session, as reported by the OTC Bulletin Board, OTC Markets or other comparable quotation service (or, if no shares were traded or quoted on such date, as of the next preceding date on which there was such a trade or quote). In the event the Shares are not publicly traded at the time a determination of its value is required to be made hereunder, the determination of Fair Market Value shall be made by the Board in such manner as it deems appropriate and in good faith in the exercise of its reasonable discretion, and consistent with the definition of "fair market value" under Section 409A of the Code. If determined by the Board, such determination will be final, conclusive and binding for all purposes and on all persons, including the Corporation, the shareholders of the Corporation, the Participants and their respective successors-in-interest.

8. **Number of Optioned Shares**

The number of Shares that may be acquired under an Option granted to a Participant shall be determined by the Board as at the time the Option is granted, provided that:

(a) no more than 5% of the issued shares of the Corporation may be granted to any one Participant in any 12 month period (unless the Corporation has obtained disinterested shareholder approval within the meaning of Exchange policies);

(b) Insiders (as defined by the Exchange) may not be granted more than ten percent (10%) of the total number of issued and outstanding Shares within a twelve (12) month period (calculated on a non-diluted basis);

(c) at no time shall the number of Shares reserved for issuance under stock options granted to Insiders exceed 10% of the issued and outstanding Shares; and

(c) no more than 2% of the issued shares of the Corporation may be granted to any one Consultant in any 12 month period.

9. **Option Term**

The period during which an Option may be exercised (the "**Option Period**") shall be determined by the Board at the time the Option is granted, subject to any vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time such Option is granted, provided that:

(a) for a Participant, no Option shall be exercisable for a period exceeding ten (10) years from the date the Option is granted unless otherwise specifically provided by the Board and authorized by the Exchange, if applicable;

(b) the Option Period shall be automatically reduced in accordance with Sections 11 and 12 below upon the occurrence of any of the events referred to therein;

(c) no Option in respect of which shareholder approval is required under the rules of any Exchange shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation; and

(d) no Option may be exercisable after ten (10) years from the grant date (five (5) years from the grant date in the case of an Incentive Stock Option that is granted to a Participant who owns, directly or indirectly, more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or any parent or subsidiary corporation of the Corporation).

If the end of the Option Period occurs during a Blackout Period applicable to the Participant, or within five business days after the expiry of a Blackout Period applicable to the relevant Participant, then the end of such Option Period for that Option will be the date that is the tenth business day after the expiry date of the Blackout Period. Where used herein "Blackout Period" means the period during which the relevant Participant is prohibited from exercising an Option due to trading restrictions imposed by the Corporation in accordance with its securities trading policies governing trades by Directors, Officers and Employees in the Corporation's securities. The Blackout Period must be formally imposed by the Corporation pursuant to its internal trading policies as a result of the bona fide existence of undisclosed Material Information (as defined in applicable securities legislation), and the Blackout Period must expire upon the general disclosure of such undisclosed Material Information. The automatic extension of a Participant's options will not be permitted where the Participant or the Corporation is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Corporation's securities.

10. **Method of Exercise of Option**

(a) Except as set forth in Sections 11 and 12 below or as otherwise determined by the Board, no Option may be exercised unless the holder of such Option is, at the time the Option is exercised, a Participant.

(b) Options may be exercised in whole or in part and may be exercised on a cumulative basis where a vesting limitation has been imposed at the time of grant.

(c) Any Participant (or his legal, personal representative) wishing to exercise an Option shall deliver to the Corporation, at its principal office in the City of Minneapolis, Minnesota:

(i) a written notice expressing the intention of such Participant (or his or her legal, personal representative) to exercise his or her Option and specifying the number of Shares in respect of which the Option is exercised; and

(ii) a cash payment, cheque or bank draft, representing the full purchase price of the Shares in respect of which the Option is exercised.

(d) Upon the exercise of an Option as aforesaid, the Corporation shall use its reasonable efforts to forthwith deliver, or cause the registrar and transfer agent of the Shares to deliver, to the relevant Participant (or his or her legal, personal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Shares as the Participant (or his or her legal, personal representative) shall have then paid for.

(e) The Corporation is entitled to (a) withhold and deduct from future wages of the Participant (or from other amounts that may be due and owing to the Participant from the Corporation or a Subsidiary), or make other arrangements for the collection of, all amounts the Corporation reasonably determines are necessary to satisfy any and all federal, foreign, state and local withholding and employment related tax requirements attributable to an Option, including the grant, exercise, vesting or settlement of, or a disqualifying disposition of stock received upon exercise of an Incentive Stock Option, or (b) require the Participant promptly to remit the amount of such withholding to the Corporation before taking any action, including issuing any Shares, with respect to an Option. When withholding Shares for taxes is effected under this Plan, it will be withheld only up to an amount based on the maximum statutory tax rates in the Participant's applicable tax jurisdiction or such other rate that will not trigger a negative accounting impact on the Corporation. The Board may, in its sole discretion and upon terms and conditions established by the Board, permit or require a Participant to satisfy, in whole or in part, any withholding or employment related tax obligation described herein by withholding Shares underlying an Option, by delivery of a broker exercise notice or a combination of such methods. For purposes of satisfying a Participant's withholding or employment-related tax obligation, Shares withheld by the Corporation will be valued at their Fair Market Value on the date the tax withholding obligation arises.

11. **Ceasing to be a Director, Officer, Employee or Consultant**

If any Participant shall cease to be a member of the Board, senior officer, Employee or Consultant of the Corporation or any subsidiary of the Corporation for any reason other than death, permanent disability or normal retirement, his or her Option will terminate at 5:00 p.m. (Minneapolis time) on the earlier of the date of the expiration of the Option Period and 90 days after the date such Participant ceases to be a member of the Board, senior officer, Employee, or Consultant of the Corporation, or any subsidiary of the Corporation.

If such cessation or termination is by reason of substantial breach or cause on the part of the Participant, the Options shall be automatically terminated forthwith and shall be of no further force or effect.

Neither the selection of any person as a Participant nor the granting of an Option to any Participant under this Plan shall

(c) confer upon such Participant any right to continue as a director, senior officer, Employee, or Consultant of the Corporation, or any subsidiary of the Corporation as the case may be, or

(d) be construed as a guarantee that the Participant will continue as a member of the Board, senior officer, Employee, or Consultant of the Corporation, or any subsidiary of the Corporation as the case may be.

12. **Death, Permanent Disability or Normal Retirement of a Participant**

In the event of the death, permanent disability or normal retirement of a Participant, any Option previously granted to such Participant shall be exercisable until the end of the Option Period or until the expiration of 12 months or a period determined by the board, after the date of death, permanent disability or normal retirement of such Participant, whichever is earlier, and then, in the event of death or permanent disability, only:

(a) by the Participant or person or persons to whom the Participant's rights under the Option shall pass by the Participant's Will or by applicable law; and

(b) to the extent that the Participant was entitled to exercise the Option as at the date of his death or permanent disability.

13. **Rights of Participants**

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until such Shares have been paid for in full and issued to such person.

14. **Proceeds from Exercise of Options**

The proceeds from any sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine and direct.

15. **Adjustments**

(a) Notwithstanding any other provision of this Plan, in the event of any change in the outstanding Shares of the Corporation by reason of any stock dividend, split, recapitalization, reclassification, amalgamation, merger, consolidation, combination or exchange of Shares or distribution of rights to holders of Shares or any other form of corporate reorganization whatsoever, an equitable adjustment shall be made to the Share limits contained in section 4 and any Options then outstanding and the exercise price in respect of such Options.

(b) Adjustments under this section 15 shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Shares shall be issued under this Plan on any such adjustment.

16. **Transferability**

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of this Plan shall not be transferable or assignable. During the lifetime of a Participant, any Options granted hereunder may only be exercised at the direction of the Participant and in the event of the death or permanent disability of a Participant, by the person or persons to whom the Participants rights under the Option pass by the Participant's Will or by applicable law.

17. **Amendment and Termination of Plan**

(a) Subject to any specific limitations contained in the Plan, the Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan.

(b) Notwithstanding subparagraph 17(a), the Board may not, without approval of the holders of a majority of the issued and outstanding equity securities of the Corporation present and voting in person or by proxy at a meeting of holders of such securities, amend the Plan or an Option to:

a. increase the number of Shares reserved for issuance under the Plan;

b. materially increase benefits accruing to Participants;

c. modify the eligibility requirements for Participants in this Plan;

d. make any amendment that would reduce the Exercise Price of an outstanding Option or effect or allow for a "repricing" (including a cancellation and reissue of an Option at a reduced Exercise Price);

e. amend or delete section 9 to extend the term of any Option beyond the Option Period of the Option or, except as already contemplated under section 9, allow for the Option Period of an Option to be greater than 10 years;

f. permit assignments, or exercises other than by the Participant, of Options beyond that contemplated by section 16, except for an amendment that would permit the assignment of an Option for estate planning or estate settlement purposes; and

g. amend the Plan to provide for other types of compensation through equity issuance.

Pursuant to section 6(a) hereof, the amendments referred to at section 17(b)(b) shall require the approval of disinterested shareholders of the Corporation.

In addition, no amendments to this Plan will be effective without approval of the Corporation's shareholders if pursuant to Section 422 of the Code, the rules of the primary stock exchange or stock market on which the Shares are then traded, applicable corporate laws or regulations or other applicable law, and the applicable laws of any foreign country or jurisdiction where Options are, or will be, granted under this Plan.

(c) Without limiting the generality of subparagraph 17(a), the Board may make the following amendments to the Plan without obtaining shareholder approval:

a. amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including without limitation Exchange policies or the rules of any national securities exchange or system on which the Shares are then listed or reported, or by any regulatory body having jurisdiction with respect thereto;

b. making adjustments to outstanding Options in the event of certain corporate transactions;

c. a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original Option Period;

d. amendments to the provisions of the Plan respecting administration of the Plan;

e. amendments to the provisions of the Plan respecting the terms and conditions on which options may be granted pursuant to the Plan, including the provisions relating to the Subscription Price, the option period, and the vesting schedule;

f. amendments in order to ensure that the Plan and the Options granted hereunder comply with applicable law from time to time, including without limitation requirements contained in the *Income Tax Act* (Canada), as amended; and

g. amendments to the Plan that are of a "housekeeping nature".

18. **Necessary Approvals**

The obligation of the Corporation to issue and deliver Shares in accordance with this Plan is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority to stock exchange having jurisdiction over the securities of the Corporation. If Shares cannot be issued to a Participant upon the exercise of an Option (for any reason whatsoever) the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the relevant Participant as soon as practicable.

19. **Stock Exchange Rules**

This Plan and any option agreements entered into hereunder shall comply with the requirements from time to time of the Exchange and any other Canadian or U.S. national securities exchange on which the Shares may be listed.

20. **Right to Issue Other Shares**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further shares of any class of the Corporation, including, without limitation, Shares, varying or amending its share capital or corporate structure or conducting its business in any way whatsoever.

21. **Effective Date and Duration of this Plan**

This Plan is effective as of the Effective Date. This Plan will terminate at midnight on November 5, 2028, the day before the ten (10) year anniversary of shareholder approval of this Plan and may be terminated prior to such time by Board action. No Options will be granted after termination of this Plan, but Options outstanding upon termination of this Plan will remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan

22. Notice

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid or delivered by courier or by facsimile transmission addressed, if to the Corporation, at the principal address of its wholly owned subsidiary, DiaMedica USA Inc., in Minneapolis, Minnesota (being currently: Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, USA), Attention: The President; or if to a Participant, to such Participant at his or her address as it appears on the books of the Corporation or in the event of the address of any such Participant not so appearing then to the last known address of such Participant; or if to any other person, to the last known address of such person.

22. **Gender**

Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

23. **Interpretation**

This Plan will be governed by and construed in accordance with the laws of the Province of British Columbia, and the federal laws of Canada applicable therein.

Exhibit 10.12

**CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83**

[PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIALITY UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE CONFIDENTIAL PORTIONS OF THIS EXHIBIT THAT HAVE BEEN OMITTED ARE MARKED WITH "[***]." A COPY OF THIS EXHIBIT WITH ALL SECTIONS INTACT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.]

GPEx®-DERIVED CELL LINE SALE AGREEMENT

This GPEx®-Derived Cell Line Sale Agreement (this "**Agreement**") is made as of this 2nd day of February, 2012 ("**Effective Date**"), by and between DiaMedica Inc., a Manitoba corporation, with a place of business at 200 – 135 Innovation Drive, Winnipeg, Manitoba, R3T 6A8, Canada ("**Client**"), and Catalent Pharma Solutions, LLC, a Delaware limited liability company, with a place of business at 14 Schoolhouse Road, Somerset, New Jersey 08873, USA ("**Catalent**").

RECITALS

A. Catalent and its Affiliates hold certain proprietary cell line engineering and gene expression technology for the expression of proteins ("**GPEx Technology**"), which proteins can be used in drug products;

B. Catalent has, pursuant to the Project Plan and Quotation for GPEx® Cell Line Engineering dated March 30, 2011, and subsequent Project Plans and Quotations for GPEx® Cell Line Development, dated August 1, 2011 and October 10, 2011 (collectively, the "**PP&Q**") and a Development and Manufacturing Agreement dated February 2, 2012 (collectively, the "**Project Documents**"), developed for Client through the application of the GPEx Technology a cell line (including any cell lines derived in whole or part therefrom, the "**GPEx Cell Line**") expressing the Expression Product(s) (as defined below); and

C. Client wishes to purchase and Catalent is willing to sell the GPEx Cell Line on the terms and conditions set forth below.

THEREFORE, in consideration of the mutual covenants, terms and conditions set forth below, the parties agree as follows:

ARTICLE 1
DEFINITIONS

The following terms have the following meanings in this Agreement:

1.1 "**Active or Component**" means any pharmaceutically active agent, whether chemical or biologic in nature, or any other component (including delivery mechanisms, adjuvants and excipients), but excluding the Expression Product.

1.2 "**Affiliate(s)**" means, with respect to Client or any third party, any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with such entity; and with respect to Catalent, Catalent Pharma Solutions, Inc. ("**Catalent Inc.**") and any corporation, firm, partnership or other entity controlled by Catalent Inc. For the purposes of this definition, "**control**" shall mean the ownership of at least 50% of the voting share capital of an entity or any other comparable equity or ownership interest.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.3 "**Agreement**" has the meaning set forth in the introductory paragraph, and includes all its Attachments and other appendices (all of which are incorporated herein by reference) and any amendments to any of the foregoing made as provided herein or therein.

1.4 "**Cabilly Patent**" means U.S. Patent No. 6,331,415 (Methods for Producing Immunoglobulins, Vectors and Transformed Host Cells For Use Therein), issued to Genentech, Inc., any divisionals, reissues, continuations and continuations-in-part thereof, and any foreign equivalents of the foregoing.

1.5 "**Catalent**" has the meaning set forth in the introductory paragraph, or any successor or permitted assign. Catalent shall have the right to cause any of its Affiliates to perform any of its obligations hereunder, and Client shall accept such performance as if it were performance by Catalent. Catalent hereby represents that it has the power to bind its Affiliates to the terms and conditions set forth in this Agreement and any Affiliate that performs any obligations hereunder shall be bound by the terms and conditions of this Agreement as if such Affiliate was an original signatory to this Agreement. Notwithstanding the foregoing, Catalent shall remain liable for a breach of this Agreement by its Affiliate.

1.6 "**Catalent Indemnitees**" has the meaning set forth in Section 6.2.

1.7 "**Client**" has the meaning set forth in the introductory paragraph, or any successor or permitted assign.

1.8 "**Client Indemnitees**" has the meaning set forth in Section 6.1.

1.9 "**Combination Product**" means any Product containing an Active or Component; wherein the Active or Component are combined with the Expression Product into a single dose form, comprise more than one dose form packaged and sold together or comprise more than one dose form packaged separately but sold together.

1.10 "**Effective Date**" has the meaning set forth in the introductory paragraph.

1.11 "**Expression Product(s)**" means any peptide, polypeptide or protein encoded by any of the genes or cDNA constructs identified on Attachment A and expressed by the GPEx Cell Line, including the Expression Products separately identified on Attachment A.

1.12 "**GPEx Cell Line**" has the meaning set forth in Recital B.

1.13 "**GPEx Technology**" has the meaning set forth in Recital A.

1.14 "**Launch**" means the first commercial sale of a Product by Client, its Affiliates, sublicensees or agents anywhere in the world after receipt of Regulatory Approval and, if required, Pricing Approval.

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1.15 "**Net Sales**" means, for the measured period, the gross invoiced amounts for Products sold or commercially disposed of for value by Client or its permitted sublicensees (including its Affiliates), less the following:

A. customary trade allowances, discounts (including cash and volume discounts) and rebates actually taken or allowed and attributable specifically to Products;

B. credits or allowances of Product price given or made for rejection, recall or return of previously sold Products actually taken or allowed and an allowance for actual bad debt;

C. chargeback payments and rebates (or the equivalent thereof) granted to managed health care organizations or to federal, state/provincial, local or other governments, including their agencies, purchasers or reimbursers;

D. sales taxes, value-added taxes, excise or use taxes, tariffs, duties and customs fees and other taxes, duties or other governmental charges imposed with respect to sales of Products to the extent borne by the seller thereof and actually paid; and

E. freight, insurance and other transportation expenses for shipments of Products to the extent borne by the seller thereof and actually paid.

Sales of Products between Client and its permitted sublicensees (including its Affiliates) shall be disregarded for the purposes of calculating Net Sales, and in such case Net Sales shall include subsequent sales by the relevant sublicensee to a third party Subject to the foregoing sentence, if any Products are sold or disposed of by Client or its permitted sublicensees other than in a bona fide arm's length sale exclusively for money, then Net Sales for such products shall be deemed to be the price at which Client could have sold such Products in a separate arm's length transaction to a willing purchaser at the relevant time in the relevant country.

The amount of any reduction or reversal of any accrual or reserve related to any deduction from the amount invoiced for Products shall be included in Net Sales in the quarter in which such reduction or reversal occurs. All calculations shall be made in accordance with GAAP.

In the case of a Combination Product for which each Active or Component have established market prices when sold separately, Net Sales shall be determined by multiplying the Net Sales for each such Combination Product by a fraction, the numerator of which shall be the established market price for the Products contained in the Combination Product and the denominator of which shall be the sum of the established market prices for the Products without the Active or Component plus the Active or Component contained in the Combination Product. When such separate market prices are not established, then the parties shall negotiate in good faith to determine a fair and equitable method of calculating Net Sales for the Combination Product in question. Notwithstanding the foregoing, in no event shall the Net Sales value of a Combination Product be less than the Net Sales value of the Product contained in the Combination Product.

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1.16 "**Pricing Approval**" means subsequent to Regulatory Approval, pricing and any relevant reimbursement approval to allow marketing and sales of Product in the given country for which such Regulatory Approval relates.

1.17 "**Product**" means any product (including an Expression Product), reagent or Combination Product, or part thereof, whose development, manufacture, use or sale utilizes or is derived from the GPEx Cell Line.

1.18 "**Project Documents**" has the meaning set forth in Recital B.

1.19 "**Purpose**" has the meaning set forth in Section 2.1.

1.20 "**Regulatory Approval**" means any approvals, product and/or establishment licenses, registrations or authorizations, including approvals pursuant to U.S. Investigational New Drug ("**IND**") applications, New Drug Applications and Abbreviated New Drug Applications, as applicable (or equivalent non-U.S. filings, such as European marketing authorization applications) of any Regulatory Authorities that are necessary for the development, manufacture, use, storage, exportation, importation, transport, promotion, marketing, distribution or sale of Products anywhere in the world, excluding Pricing Approvals.

1.21 "**Regulatory Authorities**" means the international, federal (including the FDA), state or local governmental or regulatory bodies, agencies, departments, bureaus, courts or other entities in any jurisdiction in the world responsible for (A) the regulation (including pricing) of pharmaceutical or medicinal products intended for human use or (B) health, safety or environmental matters generally.

1.22 "**Term**" has the meaning set forth in Section 9.1.

ARTICLE 2
SALE AND USE OF CELL LINE

2.1 Contingent Sale. Catalent hereby sells and transfers to Client all of its right, title and interest in and to the GPEx Cell Line; *provided*, that Client shall use the GPEx Cell Line solely for developing, testing, seeking Regulatory Approvals, including pursuant to an IND (or equivalent non-U.S. filings), for, marketing, and otherwise commercially exploiting Product(s) (the "**Purpose**"). Such sale is and shall remain contingent upon the continued observance by Client of the terms of this Agreement.

2.2 License. To the extent any of Catalent's patents claiming or covering the GPEx Technology (the "**GPEx Patents**") would be infringed by the use of the GPEx Cell Line in accordance with this Agreement or by the making, using, selling, offering for sale or importing of Products, Catalent hereby grants to Client the worldwide, exclusive right (with the right to grant sublicenses through multiple tiers) to grow or culture the GPEx Cell Line or use the GPEx Cell Line and to make, use, sell, offer for sale and import Products. The sale of the GPEx Cell Line to Client shall not be construed as a license or as permission to (A) independently make or utilize the GPEx Technology (apart from the foregoing license)or (B) modify or derive portions of the GPEx Cell Line for the development of products other than the Products.

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2.3 Tender of GPEx Cell Line. Upon payment of the fee described in Section 3.1(A)(i) by Client to Catalent, Catalent shall make the GPEx Cell Line available to Client EXW (Incoterms 2000) the Catalent site, as follows: within 5 business days following such payment, Catalent shall tender the requested number of vials of the GPEx Cell Line up to the quantity within the possession of Catalent to Client's designated common carrier; and within 10 business days following such payment, Catalent shall tender the balance. Catalent shall follow standard practice and mutually agreed to procedures to package and ship all vials in an appropriate manner to avoid spoilage or degradation during transit. Title to and risk in the GPEx Cell Line shall pass to Client when released by Catalent at the Catalent site to Client's designated common carrier. Catalent shall retain a limited amount of the GPEx Cell Line for 90 days following tender of delivery of the second shipment solely as safety stock; which shall be shipped to client in the event such first or second shipment of vials of the GPEx Cell Line is not successful, and thereafter shall be entitled to destroy such safety stock. Catalent shall furthermore provide the Technology Transfer support and Manufacturing Process based on processes performed by Catalent.

2.4 Client Handling. Client shall comply with all applicable laws and regulations, as well as all published governmental guidelines, pertaining to the use, storage, transportation, disposition, containment and other handling of the GPEx Cell Line and all Products. In particular, Client acknowledges that the manufacture, transfer, sale and/or export of the GPEx Cell Line or any Product may require a license or approval from an agency of the United States government. Client shall be solely responsible for obtaining all licenses, permits or authorizations required from the United States and any other government for any manufacture, transfer, sale and/or use of the GPEx Cell Line and any Product, including Regulatory Approvals. To the extent not inconsistent with this Agreement, Catalent agrees to provide Client (at Client's expense) with such assistance as Client may reasonably request in obtaining such licenses, permits, or authorizations; provided that any such assistance that is required to be provided by the Project Documents shall not be subject to reimbursement under this Agreement. Such services shall be provided in accordance with a separate service agreement to be agreed upon by the parties.

2.5 Regulatory Authority Submissions. Client and Catalent agree to cooperate in preparing and making any required submissions to any Regulatory Authority in respect of the GPEx Cell Line or Products, including Regulatory Approvals; provided, that Catalent shall not be required to incur any material expense, whether internal or out-of-pocket, in connection therewith, unless otherwise expressly agreed in writing by Catalent in advance, and further provided that the foregoing shall not limit any cooperation or expenses that Catalent provides under the Project Documents. Catalent expressly agrees that Client shall have the right to reference any drug master files maintained by Catalent in the ordinary course of business relating to any Product or GPEx Technology covered by this Agreement insofar as such information is necessary or desirable in connection with obtaining any Regulatory Approval..

2.6 Further Sale or Transfer of GPEx Cell Line. Subject in all cases to the Purpose:

A. To a Purchaser. Client shall have the right to sell or transfer its rights to the GPEx Cell Line to any third party, including its Affiliates; *provided*, that (i) Client provides written notice of such proposed sale or transfer to Catalent at least 30 days in advance and (ii) such third party agrees in a writing to assume Client's obligations under this Agreement, including obligations to make all deferred payments pursuant to Section 3.1. Notwithstanding any such further sale or transfer, Client shall remain liable for non-payment of all such deferred payments.

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B. To a Contract Manufacturer. Client shall have the right to transfer the GPEx Cell Line to a third party contract manufacturer; *provided*, that such party agrees in advance in a writing not to transfer or make available the GPEx Cell Line or any Product to any party other than Client or Client's designated recipients.

2.7 Exclusivity. For a period of five (5) years from March 30, 2011 Catalent will not (and will ensure that its Affiliates do not) provide any cell line engineering services or developmental services to any third party with respect to a protein that has at least ninety percent (90%) amino acid sequence identity to Client's DM-199 Expression Product for a period defined in the Project Documents.

ARTICLE 3
PAYMENT

3.1 Fees. In consideration for the GPEx Cell Line:

A. Milestone Fees. Client shall pay to Catalent the following milestone fees:

(i) [***];

(ii) [***];

(iii) $185,000 upon the initiation (first dose) of the phase III clinical trial (or equivalent); and

(iv) $185,000 upon BLA approval (or equivalent)

Client shall notify Catalent of the achievement of each such milestone within 5 business days following achievement. Such fees shall be paid within 30 days following invoice, which invoice shall be submitted to Client by Catalent not later than promptly following receipt of Client's notification, and shall be non-refundable and non-creditable. Each milestone payment shall only be due one time.

B. Royalties. Following Launch of the first Product, Client shall pay to Catalent, on a quarterly basis, a royalty equal to [***]. Client shall deliver to Catalent within 45 days following the end of each quarter following Launch (i) a written statement setting forth in reasonable detail its calculation of the royalties due for such most recently completed calendar quarter, including its calculation of Net Sales and all appropriate backup information, and (ii) payment of the royalty due on such Net Sales.

3.2 Payment Terms. Client shall make payments as directed in the applicable invoice, if any, or otherwise as Catalent may direct from time to time. Payments shall be made in United States dollars. If any conversion of foreign currency to United States dollars is required in connection with payments pursuant to Section 2.1(B), such conversion shall be made at the exchange rate reported in *The Wall Street Journal* on the last business day of the quarterly reporting period to which any such payment relates. In the event payment not under dispute is not received by Catalent on or before the due date, then Catalent may, in addition to any other remedies available at equity or in law, at its option, elect to do any one or more of the following: (A) charge interest on the outstanding sum from the due date (both before and after any judgment) at 2% per month until paid in full (or, if less, the maximum amount permitted by Applicable Laws)and/or (B) terminate this Agreement pursuant to the procedure set forth in Section 9.3 (including the required notice and opportunity to cure) or, in the case of dispute, charge interest from the date the dispute is resolved. or, in the case of dispute, charge interest from the date the dispute is resolved.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

3.3 Taxes. All taxes, duties and other amounts assessed (excluding tax based on net income and franchise taxes) in connection with the sale of the GPEx Cell Line to Client hereunder are the responsibility of Client, and Client shall reimburse Catalent for all such taxes, duties or other expenses paid by Catalent or such sums will be added to invoices directed at Client, where applicable. If any deduction or withholding in respect of tax or otherwise is required by law to be made from any of the sums payable as mentioned in Section 3.1, Client shall pay to the appropriate governmental authority on behalf of Catalent such deduction or withholding. Client shall use reasonable efforts to minimize any such deductions or withholdings. Client promptly shall deliver to Catalent proof of payment of all such deductions and withholdings, together with copies of all communications from or with such governmental authority with respect thereto.

3.4 Records; Audit Rights. Client will keep complete and accurate books and records relating to its calculation of Net Sales (including all relevant deductions) and is achievement of the milestone events referred to in Section 3.1(A) for at least 3 years after the expiration of the year to which they relate. Upon the written request and not more than once per twelve month period, Catalent shall be entitled to audit, or to have an independent accountant acceptable to Client audit, such books and records solely related to calculations of Net Sales for the previous twelve month period. Upon reasonable advance notice, Client shall provide the auditors with access during normal business hours to appropriate space at Client's relevant location and to such of the pertinent books and records of Client as may be reasonably necessary to verify the matters in question. Auditors shall be required to sign Client's standard confidential disclosure agreement prior to being allowed access to such books and records. Catalent shall indemnify and hold Client harmless for any action or activity of such auditors while on Client's premises. Prior to disclosing the results of any such audit to Catalent, the auditors shall present Client with a preliminary report of findings and provide Client with an opportunity to respond to any questions raised or issues identified. If an audit discloses an underpayment or overpayment by Client of any amounts paid pursuant to any provision of this Agreement, such amounts shall be paid to Catalent, or in the case of an overpayment credited to Client, within 30 days after the date Client receives the auditors' final written report. Any fees and expenses of the audit shall be paid by Catalent unless the audit discloses an understatement by Client of more than 3% of the aggregate amounts payable pursuant to this Agreement, in which case Client shall bear the responsibility for any such reasonable fees and expenses.

3.5 Dispute. Client may dispute all or any part of an invoice by providing written notice to Catalent within 15 days of receipt of an invoice. In the event a dispute cannot be resolved within 30 days, the dispute resolution provisions outlined in Section 11.10 shall apply.

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ARTICLE 4
CONFIDENTIALITY AND NON-USE

4 . 1 Mutual Obligation. Catalent and Client each agrees that it will not use the other party's Confidential Information except in connection with the performance of its obligations hereunder and will not disclose the other party's Confidential Information to any third party without the prior written consent of the other party, except as required by law, regulation or court or administrative order; *provided*, that prior to making any such legally required disclosure, the party making such disclosure shall give the other party as much prior notice of the requirement for and contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, each party may disclose the other party's Confidential Information to any of its Affiliates that (A) need to know such Confidential Information for the purpose of performing under this Agreement, (B) are advised of the contents of this Article and (C) agree to be bound by the terms of this Article. Client shall have the right to disclose Confidential Information of Catalent to actual or prospective sublicensees, acquirers and manufacturers, that have a need-to-know and are under obligations of confidentiality no less restrictive than those set forth herein.

4.2 Definition. As used in this Agreement, the term "**Confidential Information**" includes all such information furnished by Catalent or Client, or any of their respective representatives or Affiliates, to the other party or its representatives or Affiliates, whether furnished before, on or after the Effective Date and furnished in any form, including written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, know-how, trade secrets, discoveries, inventions and any other intellectual property (whether or not patented), analyses, compilations, business or technical information and other materials prepared by either party, or any of their respective representatives or Affiliates, containing or based in whole or in part on any such information furnished by the other party or its representatives or Affiliates. Confidential Information also includes the existence of this Agreement and its terms.

4 . 3 Exclusions. Notwithstanding Section 4.2, Confidential Information does not include information that (A) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, (B) is already known by the receiving party at the time of disclosure as evidenced by the receiving party's written records, (C) becomes available to the receiving party on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis or (D) was or is independently developed by or for the receiving party without reference to the Confidential Information of the other party as evidenced by the receiving party's written records.

4.4 No Implied License. Except as expressly set forth in Section 4.1, the receiving party will obtain no right of any kind or license under any Confidential Information of the disclosing party, including any patent application, patent or other intellectual property (including, where Client is the receiving party, the GPEx Technology), by reason of this Agreement. All Confidential Information will remain the sole property of the party disclosing such information or data, subject to Article 5; provided, that Client agrees to allow Catalent to use data obtained from development of the GPEx Cell Line or any Product, so long as such data is not identifiable to Client or its Intellectual Property, including without limitation identity of Client's Drug Product, for marketing and demonstration of the GPEx Technology to third parties.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

4.5 Return of Confidential Information. Upon expiration or termination of this Agreement, the party receiving Confidential Information will cease its use and, upon request, within 30 days either return or destroy (and certify as to such destruction) all Confidential Information of the other party, including any copies thereof, except for a single copy thereof which may be retained for the sole purpose of determining the scope of the obligations incurred under this Agreement.

4.6 Survival. The obligations of this Article will terminate 7 years from the expiration or termination of this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 Catalent. Catalent represents, warrants and undertakes to Client that:

A. The regulatory documents and other data and information provided by Catalent to Client under the Project Documents in connection with the GPEx Cell Line is sufficient for Client to file for regulatory approval for the Expression Product;

B. To the best of Catalent's knowledge, GPEx Technology that is provided to Client (including, to its knowledge, in combination with the Product) for the purposes anticipated by this Agreement, will not infringe, misappropriate or violate any patent, trademark, trade secret, copyright or other intellectual property or other proprietary rights of any third party;

C. to its knowledge, it has all necessary ownership or rights to use the GPEx Technology the purposes of fulfilling its obligations under this Agreement and no additional licenses for third party intellectual property are required to use the GPEx Technology for the purposes anticipated by this Agreement; and

D. it has the lawful right to sell the GPEx Cell Line to Client for all purposes contemplated hereunder.

5.2 Client. Client represents, warrants and undertakes to Catalent that:

A. to its knowledge, its Expression Product and any material, process or technology that is otherwise provided or utilized by Client in connection with any Expression Product (including, to its knowledge, in combination with the GPEx Technology) or the manufacture, use or sale of any Expression Products for the purposes anticipated by this Agreement, will not infringe, misappropriate or violate any patent, trademark, trade secret, copyright or other intellectual property or other proprietary rights of any third party;

B. Client shall use the GPEx Cell Line solely for the Purpose and otherwise as set forth herein, and in compliance with all applicable laws; specifically, Client shall not permit the human consumption of any Products, except to the extent such consumption occurs in the course of clinical studies that expressly permit such use and that have been approved by appropriate Regulatory Authorities or following receipt of all necessary Regulatory Approvals for commercial use and sale; and

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C. As of the Effective Date, Client intends to file an IND (or equivalent non-U.S. filings) in respect of the Expression Product.

5.3 Limitations. THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE ARE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY EACH PARTY TO THE OTHER PARTY, AND NEITHER PARTY MAKES ANY OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES OF ANY KIND WHATSOEVER, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 6
INDEMNIFICATION

6.1 Indemnification by Catalent. Catalent shall indemnify and hold harmless Client, its Affiliates, and their respective directors, officers, employees and agents ("**Client Indemnitees**") from and against any and all suits, claims, losses, demands, liabilities, damages, costs and expenses (including reasonable attorneys' fees) in connection with any suit, demand or action by any third party ("**Losses**") arising out of or resulting from (A) any breach of its representations, warranties or obligations set forth in this Agreement (B) any actual or alleged infringement or violation of any third party patent, trade secret, copyright, trademark or other proprietary rights arising solely from GPEx Technology or (C) any negligence or willful misconduct by Catalent; except to the extent that any of the foregoing arises out of or results from any Client Indemnitee's negligence, willful misconduct or breach of this Agreement.

6.2 Indemnification by Client. Client shall indemnify and hold harmless Catalent, its Affiliates, and their respective directors, officers, employees and agents ("**Catalent Indemnitees**") from and against any and all Losses arising out of or resulting from (A) any breach of its representations, warranties or obligations set forth in this Agreement, (B) any manufacture, packaging, sale, promotion, distribution or use of or exposure to the Product or the GPEx Cell Line (but only to the extent Client modifies or alters the GPEx Cell Line), including product liability or strict liability, (C) the conduct of any clinical trials utilizing the Product, (D) any actual or alleged infringement or violation of any third party patent, trade secret, copyright, trademark or other proprietary rights arising solely from Catalent's use of intellectual property or information provided by Client or (E) any negligence or willful misconduct by Client; except to the extent that any of the foregoing arises out of or results from any Catalent Indemnitee's negligence, willful misconduct or breach of this Agreement.

6.3 Cabilly. Notwithstanding Sections 6.1, 6.2 or any other provision of this Agreement, neither party shall have any obligation to indemnify the other in respect of any claim under or relating to the Cabilly Patent.

6.4 Indemnification Procedures. All indemnification obligations in this Agreement are conditioned upon the party seeking indemnification (A) promptly notifying the indemnifying party of any claim or liability of which the party seeking indemnification becomes aware (including a copy of any related complaint, summons, notice or other instrument); provided that failure to provide such notice within a reasonable period of time shall not relieve the indemnifying party of any of its obligations hereunder except to the extent the indemnifying party is prejudiced by such failure, , (B) allowing the indemnifying party, if the indemnifying party so requests, to conduct and control the defense of any such claim or liability and any related settlement negotiations (at the indemnifying party's expense), (C) fully cooperating with the indemnifying party in the defense of any such claim or liability and any related settlement negotiations (at the indemnifying party's expense) and (D) not compromising or settling any claim or liability without prior written consent of the indemnifying party.

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ARTICLE 7
LIMITATIONS OF LIABILITY

7.1 EXCEPT FOR OBLIGATIONS RESULTING FROM CATALENT'S BREACH OF SECTION 4, CATALENT'S TOTAL LIABILITY UNDER THIS AGREEMENT SHALL IN NO EVENT EXCEED THE TOTAL FEES PAYABLE BY CLIENT TO CATALENT IN THE ONE YEAR PERIOD PRECEEDING THE CLAIM.

7.2 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSS OF REVENUES, PROFITS OR DATA ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, WHETHER IN CONTRACT OR IN TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES

ARTICLE 8
INSURANCE

Client shall, at its own cost and expense, obtain and maintain in full force and effect the following insurance during the Term: (A) Commercial General Liability Insurance with a per occurrence limit of not less than an amount equivalent to $1,000,000; (B) Products and Completed Operations Liability Insurance (including coverage for Products used in clinical trials) with a per occurrence limit of not less than an amount equivalent to $5,000,000; (C) Workers Compensation and Employers Liability Insurance, with statutory limits for Workers Compensation and Employers Liability limits of not less than an amount equivalent to $1,000,000 per accident, to the extent Client is not covered by Workers Compensation and Employers Liability Insurance provided to by a Province or State in which Client resides; and (D) All Risk Property Insurance, including transit coverage, in an amount equal to full replacement value covering Client's property while it is at Catalent's facilities or in transit to, from or between Catalent's facilities. The parties hereby acknowledge and agree that Client may self-insure all or any portion of the above-required insurance. Client shall maintain levels of insurance or self insurance sufficient to meet its obligations under this Agreement. In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire Term and for a period of not less than 3 years following the expiration or termination of this Agreement. Client shall obtain a waiver from any insurance carrier with whom Client carries Property Insurance releasing its subrogation rights against Catalent. Client shall not seek reimbursement for any property claim or portion thereof that is not fully recovered from Client's Property Insurance policy. Client shall obtain a waiver from any insurance carrier with whom Client carries Workers' Compensation insurance releasing its subrogation rights against Catalent. Catalent Inc. and its Affiliates shall be named as additional insureds under the Products and Completed Operations Liability insurance policies with respect to the products and completed operations outlined in this Agreement. Client shall furnish certificates of insurance evidencing the required insurance policies and additional insured status to Catalent as soon as practicable after the Effective Date and within 30 days after renewal of such policies. Each insurance policy that is required under this Agreement shall be obtained from an insurance carrier with an A.M. Best rating of at least A-VII.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Catalent Insurance. Catalent shall, at its own cost and expense, obtain and maintain in full force and effect the following insurance during the Term: (A) Commercial General Liability Insurance with a per-occurrence limit of not less than $1,000,000; (B) Products and Completed Operations Liability Insurance with a per-occurrence limit of not less than $5,000,000; (C) Workers Compensation and Employers Liability Insurance, with statutory limits for Workers Compensation and Employers Liability limits of not less than $1,000,000 per accident; and (D) Professional Services Errors & Omissions Liability Insurance with per-claim and aggregate limits of not less than $1,000,000. The parties hereby acknowledge and agree that Catalent may self-insure all or any portion of the required insurance. In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire Term and for a period of not less than 3 years following the expiration or termination of this Agreement. Catalent shall obtain a waiver from any insurance carrier with whom Catalent carries Workers' Compensation insurance releasing its subrogation rights against Client. Catalent shall obtain a waiver from any insurance carrier with whom Catalent carries Property Insurance releasing its subrogation rights against Client. Client shall be named as additional insured under Catalent's Products and Completed Operations Liability insurance policy with respect to the products and completed operations outlined in this Agreement. Catalent shall furnish to Client a certificate of insurance or other evidence of the required insurance and additional insured status as soon as practicable after the Effective Date and within 30 days after renewal of such policies. Each insurance policy which is required under this Agreement, other than self-insurance, shall be obtained from an insurance carrier with an A.M. Best rating of at least A- VII.

ARTICLE 9
TERM AND TERMINATION

9.1 Term. This Agreement shall commence on the Effective Date and continue until terminated in accordance with this Article 9 (the "**Term**").

9.2 Voluntary Termination by Client. Client may terminate this Agreement without cause at any time during the Term on 90 days' prior written notice to Catalent.

9.3 Mutual Termination Rights. Either party may terminate this Agreement immediately without further action if (A) the other party files a petition in bankruptcy, or enters into an agreement with its creditors, or applies for or consents to the appointment of a receiver, administrative receiver, trustee or administrator, or makes an assignment for the benefit of creditors, or suffers or permits the entry of any order adjudicating it to be bankrupt or insolvent and such order is not discharged within 90 days, or takes any equivalent or similar action in consequence of debt in any jurisdiction or (B) the other party materially breaches any of the provisions of this Agreement and such breach is not cured within 60 days after the giving of written notice requiring the breach to be remedied; provided, that in the case of a failure of Client to make payments in accordance with the terms of this Agreement, Catalent may terminate this Agreement if such payment breach is not cured within 30 days of receipt of notice of non-payment from Catalent.. Notwithstanding the foregoing, once Client has made all payments required under Article 3, Catalent shall not have the right to terminate this Agreement.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

9 . 4 Effect of Termination. Termination of this Agreement shall be without prejudice to any rights or obligations that accrued to the benefit of either party prior to such termination. In the event of a termination of this Agreement solely by Client without cause or by Catalent for material breach by Client, provided that in such case Client will destroy the GPEx Cell Line (Agreement, A) Client's ownership rights in the GPEx Cell Line shall automatically terminate and title thereto shall revert to Catalent, (B) Client shall immediately destroy (and certify such destruction to Catalent) all remaining stores of the GPEx Cell Line in its possession or control and (C) Client shall have a period of no more than 6 months to sell any remaining inventories of Products, it being understood that such sales shall remain subject to the terms of this Agreement, including, the obligations set forth in Article 3. Upon Client's request, Catalent shall promptly destroy (and certify such destruction to Client) all remaining stores of the GPEx Cell Line in its possession or control, except that Catalent may retain a reasonable legacy quantity of the GPEx Cell Line solely for archival uses.

9.5 Survival. The rights and obligations of the parties shall continue under Articles 6 (Indemnification), 7 (Limitations of Liability), 10 (Notice), 11 (Miscellaneous); under Articles 4 (Confidentiality and Non-Use) and 8 (Insurance), in each case to the extent expressly stated therein; and under Sections 2.2 (No License), 2.4 (Client Handling), 3.2 (Payment Terms), 3.3 (Taxes), 3.4 (Records; Audit Rights), 5.3 (Limitations on Warranties), 9.4 (Effect of Termination) and 9.5 (Survival), in each case in accordance with their respective terms if applicable, notwithstanding termination of this Agreement.

ARTICLE 10
NOTICE

All notices and other communications hereunder shall be in writing and shall be deemed given: (A) when delivered personally; (B) when delivered by facsimile transmission (receipt verified); (C) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (D) when delivered, if sent by express courier service, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; *provided*, that notices of a change of address shall be effective only upon receipt thereof):

To Client:
DiaMedica Inc.
200 – 135 Innovation Drive
Winnipeg, Manitoba R3T 6A8
Canada
Attn: Mathew Charles, Director, Product Development
Facsimile: +1 (204) 453-3745

To Catalent:
Catalent Pharma Solutions, LLC
8137 Forsythia Street
Middleton, Wisconsin 53562
USA
Attention: General Manager
Facsimile: (608) 824-9930

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

With a copy to:

Catalent Pharma Solutions, LLC
14 Schoolhouse Road
Somerset, New Jersey 08873
USA
Attn: General Counsel (Legal Department)
Facsimile: +1 (732) 537-6491

ARTICLE 11
MISCELLANEOUS

11.1 Entire Agreement; Amendments. This Agreement, together with that certain Confidentiality Agreement dated October 12, 2010 between the parties, and the Project Documents dated March 30, 2011, August 1, 2011 and October 10, 2011, constitutes the entire understanding between the parties, and supersedes any contracts, agreements or understandings (oral or written) of the parties, with respect to the subject matter hereof. No term of this Agreement may be amended except upon written agreement of both parties, unless otherwise expressly provided in this Agreement.

11.2 Captions; Certain Conventions. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement. Unless otherwise expressly provided herein or the context of this Agreement otherwise requires, (A) words of any gender include each other gender, (B) words such as "herein", "hereof", and "hereunder" refer to this Agreement as a whole and not merely to the particular provision in which such words appear, (C) words using the singular shall include the plural, and vice versa, (D) the words "include(s)" and "including" shall be deemed to be followed by the phrase "but not limited to", "without limitation" or words of similar import, (E) the word "or" shall be deemed to include the word "and" (e.g., "and/or") and (F) references to "Article," "Section," "subsection," "clause" or other subdivision, or to an Attachment or other appendix, without reference to a document are to the specified provision or Attachment of this Agreement. This Agreement shall be construed as if it were drafted jointly by the parties.

11.3 Further Assurances. The parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

11.4 No Waiver. Failure by either party to insist upon strict compliance with any term of this Agreement in any one or more instances will not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

11.5 Severability. If any term of this Agreement is declared invalid or unenforceable by a court or other body of competent jurisdiction, the remaining terms of this Agreement will continue in full force and effect.

11.6 Independent Contractors. The relationship of the parties is that of independent contractors, and neither party will incur any debts or make any commitments for the other party. Nothing in this Agreement is intended to create or will be construed as creating between the parties the relationship of joint ventures, co-partners, employer/employee or principal and agent.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

11.7 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties, their successors and permitted assigns. Neither party may assign this Agreement, in whole or in part, without the prior written consent of the other party, except that either party may, without the other party's consent, assign this Agreement to an Affiliate or to a successor to substantially all of the business or assets of the assigning company or the assigning company's business unit responsible for performance under this Agreement.

11.8 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person or entity other than the parties named herein and their respective successors and permitted assigns.

11.9 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York, USA, excluding its conflicts of law provisions. **The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.**

11.10 Alternative Dispute Resolution. If any dispute arises between the parties in connection with this Agreement, such dispute shall be presented to the respective presidents or senior executives of Catalent and Client for their consideration and resolution. If such parties cannot reach a resolution of the dispute, then such dispute shall be resolved by binding alternative dispute resolution in accordance with the then existing commercial arbitration rules of CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017. Arbitration shall be conducted in the jurisdiction of the defendant party. Notwithstanding the foregoing, either party shall have the right, without waiving any right or remedy available to such party under this Agreement or otherwise, to seek and obtain from any court of competent jurisdiction any interim or provisional relief that is necessary or desirable to protect the rights or property of such party, pending such dispute resolution.

11.11 Prevailing Party. In any dispute resolution proceeding between the parties in connection with this Agreement, the prevailing party will be entitled to recover its reasonable attorney's fees and costs in such proceeding from the other party.

11.12 Publicity. Neither party shall make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other party's express prior written consent, except as required under applicable laws or by any governmental agency or by the rules of any stock exchange on which the securities of the disclosing party are listed, in which case the party required to make the press release or public disclosure shall use commercially reasonable efforts to obtain the approval of the other party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure. In addition, Client shall not use the Catalent name or the names of any of the inventors of the GPEx Technology in any advertising, promotion or sales without the prior written consent of Catalent; provided, that Client may state that the Products have been manufactured utilizing a GPEx Cell Line produced under one or more of the patents and applications comprising the GPEx Technology. Client shall not use Catalent's name in a manner that could be construed as an endorsement of Client's Product, including any scientific conclusion as to safety or efficacy.

11.13 Setoff. Without limiting either party's rights under law or in equity, Client or Catalent, may exercise a right of set-off against any and all amounts due to the other party.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

11.14 Force Majeure. Except as to payments required under this Agreement, neither party shall be liable in damages for, nor shall this Agreement be terminable or cancelable by reason of, any delay or default in such party's performance hereunder if such default or delay is caused by events beyond such party's reasonable control, including acts of God, regulation or law or other action or failure to act of any government or agency thereof, war or insurrection, civil commotion, destruction of production facilities or materials by earthquake, fire, flood or weather, labor disturbances, epidemic or failure of suppliers, public utilities or common carriers; *provided*, that the party seeking relief under this Section shall immediately notify the other party of such cause(s) beyond such party's reasonable control. The party that may invoke this Section shall use commercially reasonable efforts to reinstate its ongoing obligations to the other party as soon as practicable. If the cause(s) shall continue unabated for 45 days, then both parties shall meet to discuss and negotiate in good faith what modifications to this Agreement should result from such cause(s).

11.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

11.16 Bankruptcy. The parties hereto acknowledge and agree that the rights granted to Client hereunder are rights with respect to intellectual property (including, without limitation, "intellectual property" within the meaning of Section 101 of the Bankruptcy Code of the United States). Client shall have all the rights contemplated by Section 365(n) of such Bankruptcy Code with respect to the licenses and other rights described in this Agreement.

[Signature page follows]

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement effective as of the Effective Date.

CATALENT PHARMA SOLUTIONS, LLC	**DIAMEDICA INC.**
By: /s/ Michael Jenkins	By: /s/ Rick Pauls
Name: Michael Jenkins	Name: Rick Pauls
Title: General Manager	Title: Chief Executive Officer

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

ATTACHMENT A

[***]

Exhibit 10.13

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

FIRST AMENDMENT TO GPEx® DEVELOPMENT AND MANUFACTURING AGREEMENT

This First Amendment to GPEx® Development and Manufacturing Agreement (this "**Amendment**"), is made as of this 10th day of April, 2017 ("**Amendment Effective Date**"), by and between DiaMedica Therapeutics Inc., a Manitoba corporation, with a place of business at Two Carlson Parkway, Suite 165, Minneapolis, MN 55447 ("**Client**"), and Catalent Pharma Solutions, LLC, a Delaware limited liability company, with a place of business at 14 Schoolhouse Road, Somerset, NJ 08873, USA ("**Catalent**").

RECITALS

A. Client and Catalent have entered into that certain GPEx® Development and Manufacturing Agreement dated February 2, 2012 (the "**Agreement**"), pursuant to which Catalent provides Client with certain Services;

B. Client and Catalent desire to amend the Agreement and to record their mutual understanding of certain revised terms and conditions.

THEREFORE, in consideration of the mutual covenants, terms and conditions set forth below, the parties agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined in this Amendment shall have the meanings assigned to them in the Agreement. For clarity, the term "**Agreement**" as used in the Agreement and herein shall mean the Agreement as amended hereby.

2. Specific Amendments. In connection with and/or as a result of the revised terms and conditions agreed by the parties, the Agreement is hereby amended as follows:

A. Section 7.7 of the Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

"7.7. Exclusivity. For a period of thirty (30) months from March 30, 2017, Catalent will not actively promote the development or manufacture of a cell line using the GPEx® Technology which cell line expresses a protein coded from a DNA sequence exactly matching the DNA sequence of DMl 99."

3. No Other Variation. Except as expressly provided in this Amendment, all the terms, conditions and provisions of the Agreement (including the rights, duties, liabilities and obligations of the parties thereunder) remain in full force and effect, and shall apply to the construction of this Amendment.

4. Entire Agreement. This Amendment and the Agreement, including their respective attachments, constitute the entire agreement between the parties relating to the subject matter hereof and thereof, and may not be varied except in writing signed by a duly authorized representative of each party.

5. Counterpart. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement effective as of the Amendment Effective Date.

CATALENT PHARMA SOLUTIONS, LLC	**DIAMEDICA INC.**
By: /s/ Brian C. Riley	By: /s/ Todd Verdoorn
Name: Brian C. Riley	Name: Todd Verdoorn
Title: General Manager	Title: Chief Scientific Officer

Exhibit 10.14

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

[PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIALITY UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE CONFIDENTIAL PORTIONS OF THIS EXHIBIT THAT HAVE BEEN OMITTED ARE MARKED WITH "[***]." A COPY OF THIS EXHIBIT WITH ALL SECTIONS INTACT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.]

LICENSE AND COLLABORATION AGREEMENT

This **License and Collaboration Agreement** (this "***Agreement***") is made as of September 27, 2018 (the "***Effective Date***"), by and between **DiaMedica Therapeutics, Inc.**, a corporation organized and existing under the laws of Canada with offices at c/o DiaMedica USA, Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, USA ("***DiaMedica***"), and **Ahon Pharmaceutical co., Ltd.**, a corporation organized and existing under the laws of China, having a place of business at No. 55, Songshan Rd., Jinzhou, Liaoning Province, China ("***Ahon***"). DiaMedica and Ahon are referred to in this Agreement individually as a "***Party***" and collectively as the "***Parties.***"

Recitals

Whereas, DiaMedica, a biopharmaceutical company, is developing a proprietary recombinant human tissue kalikrein-1 protein (rhKLK1) known as DM199 for the Field, and controls certain patents, patent applications and know-how relating to DM199;

Whereas, Ahon is a biopharmaceutical company engaged in the research, development and commercialization of pharmaceutical products mainly in the greater China region as of the Effective Date; and

Whereas, Ahon wishes to obtain from DiaMedica the exclusive license to clinically develop and commercialize DM199 in the Field in the Territory, and DiaMedica is willing to grant such a license to Ahon, all in accordance with the terms and conditions set forth herein.

Agreement

Now, Therefore, in consideration of the foregoing premises and the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below:

1.1 **"*Active Ingredient*"** means the clinically active material(s) that provides pharmacological activity in a pharmaceutical product (excluding formulation components such as coatings, stabilizers, excipients or solvents, adjuvants or controlled release technologies).

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.2 "***Affiliate***" means, with respect to an Entity or Person, another Entity or Person that controls, is controlled by, or is under common control with that Entity or Person. For the purpose of this definition only, "control" (including, with correlative meaning, the terms "controlled by" and "under the common control") means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of an Entity or Person, whether by the ownership of more than fifty percent (50%) of the voting stocking of such Entity, by contract or otherwise.

1.3 "***Ahon IP***" means (a) all Patents and Know-How Controlled by Ahon as of the Effective Date or thereafter comes into Ahon's Control independent of this Agreement, and in each case, that have been used or applied by or on behalf of Ahon in the Development, manufacture or Commercialization of the Licensed Products under this Agreement; and (b) all Inventions that are made solely by Ahon and do not relate to Licensed Product (including composition of matter, method of use or make). For clarity, Ahon IP excludes Collaboration IP which shall be jointly owned by the Parties.

1.4 "***Ahon Patents***" means all Patents in Ahon IP.

1.5 "***Applicable Laws***" means collectively all laws, regulations, ordinances, decrees, judicial and administrative orders (and any license, franchise, permit or similar right granted under any of the foregoing) and any policies and other requirements, of any applicable Governmental Authority that cover or apply to a Party's activities in connection with this Agreement.

1.6 "***Business Day***" means a day other than a Saturday a Sunday or a day on which banking institutions in San Francisco, California or the Territory are required by Applicable Laws to remain closed.

1.7 **"Bulk Product"** is defined as the final drug product packaged in vials and anticipated to contain [***]ug of License Product as the sole Active Ingredient and all other necessary excipients after chemical or biological processing and purification, ready for concentration, formulation, drying, and filling into its final containers prior to dispensing and final packaging, with such actual amount as determined by DiaMedica in its sole discretion.

1.8 "***Calendar Quarter***" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 in a Calendar Year.

1.9 "***Calendar Year***" means each twelve (12) month period commencing on January 1 and ending on December 31; provided however that (a) the first Calendar Year of the Term shall commence on the Effective Date and end on December 31, 2018 and (b) the last Calendar Year of the Term shall commence on January 1 of the Calendar Year in which this Agreement terminates or expires and end on the date of termination or expiration of this Agreement.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.10 "***Clinical Trial***" means any clinical trial of a Licensed Product in human subjects that has been approved by a Regulatory Authority and is designed to measure the safety and/or efficacy of a Licensed Product. Clinical Trials shall include Phase 1 Clinical Trials, Phase 2 Clinical Trials and Phase 3 Clinical Trials.

1.11 "***Collaboration IP***" means all Inventions that (a) are made jointly by the Parties; or (b) are made solely by Ahon and relate to or make use of the Licensed Protein or Licensed Products (including composition of matter, method of use or make).

1.12 "***Commercialization***" or "***Commercialize***" means all activities directed to packaging, labelling, commercial marketing, promoting, advertising, exhibiting, storing, handling, shipping, distributing, detailing, selling (and offering for sale or contracting to sell) or otherwise commercially exploiting (including pricing and reimbursement activities) a Licensed Product in the Field in the Territory (including importing and exporting activities in connection therewith).

1.13 "***Commercialization Plan***" means the written plan prepared by Ahon for the Commercialization of the Licensed Product in the Territory.

1.14 "***Commercially Reasonable Efforts***" means, with respect to a Party's obligations or activities under this Agreement, the carrying out of such obligations or activities with a level of effort and resources consistent with the commercially reasonable practices normally devoted by a similarly situated company, as part of an active and continuing program of development or commercialization of a pharmaceutical product of similar market potential, at a similar stage of its product life, taking into account the competitiveness of the marketplace, the proprietary position of the product, the regulatory status, the pricing and launching strategy and the relative safety and efficacy. "***Commercially Reasonable Efforts***" of a Party shall require that such Party (on its own or acting through any of its Affiliates, sublicensees or subcontractors), at a minimum: (a) promptly assign responsibility for such obligations to qualified employees, set annual goals and objectives for carrying out such obligations, and monitor and hold employees accountable for progress with respect to such goals and objectives; (b) set and seek to achieve specific and meaningful objectives for carrying out such obligations; and (c) make and implement decisions and allocate resources designed to diligently advance progress with respect to such objectives.

1.15 "***Confidential Information***" of a Party means, subject to Section 9.2, without limitation, all information relating to products, processes, technologies, trade secrets, structures, ideas, works or authorship, copyrightable works, trademarks, copyrights, product concepts, techniques, information or statistics, compounds, inventions, know-how, trade secrets, designs, specifications, formulas, methods, samples, biological, chemical or other materials, developmental or experimental work, improvements, discoveries, past, current, planned and future research and clinical or other data, databases, software, manuals, internal policies and procedures, licenses, research and development agreements, term sheets, prices, costs, financial information, budgets, projections, marketing, selling and business plans, strategies, forecasts, sketches, records, notes, devices, drawings, patent applications, continuation applications, continuation-in-part applications, file wrapper continuation-in-part applications and divisional applications, vendors, suppliers and customers of such Party that is disclosed by or on behalf of such Party or any of its Affiliates or otherwise made available to the other Party or any of its Affiliates, in each case in connection with this Agreement or the Confidentiality Agreement, whether made available orally, visually, in writing or in electronic form. All Collaboration IP shall be deemed Confidential Information of both Parties.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.16 "***Control***" or "***Controlled***" means the possession by a Party (whether by ownership, license or otherwise) of, (a) with respect to any tangible Know-How, the legal authority or right to physical possession of such tangible Know-How, with the right to provide them to the other Party on the terms and conditions set forth herein, or (b) with respect to Patents, intangible Know-How or other intellectual property rights, the legal authority or right to grant a license, sublicense, access or right to use (as applicable) under such Patents, intangible Know-How or other intellectual property rights to the other Party on the terms and conditions set forth herein, in each case of (a) and (b): (i) without breaching the terms of any agreement with a Third Party in existence as of the Effective Date or thereafter, (ii) without requiring such Party to make any payment for the grant of such a license, sublicense, access or right to use (as applicable) to the other Party or the maintenance or practice of such license, sublicense, access or right to use; and (iii) without requiring such Party to obtain approval from such and without prior Third Party approval.

1.17 "***CTA***" means a Clinical Trial Application submitted to the NMPA for approval to conduct human clinical trials in the Territory.

1.18 "***Develop***" or "***Development***" or "***Developing***" means all regulatory and development activities for any Licensed Product that are directed to obtaining Regulatory Approval(s) of such Licensed Product and to support appropriate usage for such Licensed Product in the Field, including: all research, non-clinical, preclinical and clinical activities, testing and studies of such Licensed Product; toxicology, pharmacokinetic, pharmacodynamic, drug-drug interaction, safety, tolerability and pharmacological studies; distribution of such Licensed Product for use in Clinical Trials (including placebos and comparators); statistical analyses; and the preparation, filing and prosecution of any Marketing Approval Applications ("MAA") for such Licensed Product; development activities conducted after receipt of Regulatory Approval that are required or requested in writing by a Regulatory Authority as a condition of, or in connection with, obtaining or maintaining a Regulatory Approval; and pharmacoeconomic studies for the Licensed Product in the Field; in each case above, including investigator- and/or institution-sponsored studies for which a Party is providing material or assistance or otherwise has written obligations to such investigator and/or institution; and all regulatory activities related to any of the foregoing; provided, however, that Development shall exclude Commercialization and manufacturing activities (including manufacturing activities related to Development).

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.19 "***DiaMedica IP***" means DiaMedica Know-How and DiaMedica Patents. For clarity, DiaMedica IP excludes Collaboration IP which shall be jointly owned by the Parties. For clarity, if during the Term, DiaMedica obtains Control of any new intellectual property rights from a Third Party (other than as a result of a Change of Control of DiaMedica), which intellectual property rights are necessary or reasonably useful for the process improvements of the Licensed Products, then such intellectual property shall fall into DiaMedica IP and shall be granted to Ahon under this Agreement pursuant to Section 3.3 in the Supply Agreement.

1.20 "***DiaMedica Know-How***" means all Know-How Controlled by DiaMedica as of the Effective Date or at any time during the Term that is necessary or reasonably useful for the Development, manufacture or Commercialization of the Licensed Product in the Field; provided however that DiaMedica Know-How shall exclude: (a) all Know-How that was originally controlled by a Third Party and after the Effective Date comes into DiaMedica's Control as a result of a change of control transaction where such Third Party acquires or is merged with DiaMedica; (b) all Know-How within Collaboration IP.

1.21 "***DiaMedica Patents***" means all Patents Controlled by DiaMedica as of the Effective Date or at any time during the Term that cover a Licensed Protein or Licensed Product (including composition of matter, forms and formulations, method of use (including dosing) or method of making); provided however that DiaMedica Patents shall exclude: (a) all Patents that were originally controlled by a Third Party and after the Effective Date come into DiaMedica's Control as a result of a change of control transaction where such Third Party acquires or is merged with DiaMedica; and (b) all Patents within Collaboration IP. DiaMedica Patents existing as of the Effective Date are set forth in **Exhibit A**.

1.22 "***Dollar***" or "**$**" means the U.S. dollar, and "$" shall be interpreted accordingly.

1.23 "***Entity***" means a partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture or similar entity or organization.

1.24 "***FDA***" means the United States Food and Drug Administration or any successor federal agency thereto.

1.25 "***Field***" means the treatment of acute ischemic stroke in humans.

1.26 "***First Commercial Sale***" means, with respect to any Licensed Product in the Territory, the first sale or transfer of such Licensed Product to a Third Party for distribution, use or consumption in such country or jurisdiction in the Territory after Regulatory Approvals have been obtained for such Licensed Product in such country or jurisdiction in the Territory.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.27 "***GAAP***" means United States or China generally accepted accounting principles, consistently applied, or, to the extent not substantially different from US GAAP, with generally accepted accounting principles in mainland China.

1.28 "***GCP***" means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials, including, as applicable (a) as set forth in the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use Harmonized Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95), including related requirements imposed by the FDA or NMPA, and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, or (d) the equivalent Applicable Laws in the Region in the Territory, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

1.29 "***GLP***" means all applicable Good Laboratory Practice standards, including, as applicable, as set forth in the then current good laboratory practice standards promulgated or endorsed by the U.S. Food and Drug Administration as defined in 21 C.F.R. Part 58, and the equivalent Applicable Laws in the Region in the Territory, each as may be amended and applicable from time to time.

1.30 "***Governmental Authority***" means any federal, state, national, state, provincial or local government, or political subdivision thereof, or any multinational organization or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof, or any governmental arbitrator or arbitral body).

1.31 "***Invention***" means any information, discoveries, improvements, modifications, processes, methods, designs, protocols, formulas, data, algorithms, forecasts, profiles, strategies, plans, results, know-how and trade secrets, patented or otherwise, that is discovered, generated, conceived and/or reduced to practice by or on behalf of either Party (including its Affiliates, employees, agents and contractors), whether solely or jointly, in the course of the performance of this Agreement, including all rights, title and interest in and to the intellectual property rights therein and thereto.

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1.32 "***Know-How***" means any unpatented inventions, discoveries, creations, developments, data, and other information and materials, in any tangible or intangible form whatsoever, including scientific or technical information, results and data, trade secrets, databases, practices, protocols, regulatory filings, methods, processes, techniques, concepts, ideas, reagents, specifications, formulations, formulae, data (including, but not limited to, pharmacological, biological, chemical, toxicological, clinical and analytical information, quality control, trial and stability data), case reports forms, data analyses, reports, studies and procedures, designs for experiments and tests and results of experimentation and testing (including results of research or development), summaries and information contained in submissions to and information from ethical committees, the FDA or other Regulatory Authorities, and manufacturing process and development information, results and data.

1.33 "***Licensed Product***" means pharmaceutical product containing the Licensed Protein in any and all bulk or finished and final packaged product in vial ready for sale and administration, or as Active Ingredient, in any injectable dosage form, any injectable formulation and any strength, as an active ingredient for use in the Field. DiaMedica's current dosing plans for acute ischemic stroke is that the first dose be administered intravenously at 0.75 ug/kg dose followed by subcutaneous administration at 3 ug/kg dose every three days for a total of 21 days, the strength of the finished product is anticipated at 240 ug of License Product per vial and the shelf life of the finished product is anticipated at a minimum of 3 years, subject to completion of required stability testing.

1.34 "***Licensed Protein***" means DiaMedica's proprietary recombinant human tissue kalikrein-1 protein known as DM199 and having the sequence and structure set forth in **Exhibit B**.

1.35 "***Marketing Approval Application***" or "***MAA***" means a Biological License Application or New Drug Application (each as defined by the FDA), or any successor application having substantially the same function, or their foreign equivalent for approval to market and/or sell a pharmaceutical product in any country, Region or jurisdiction.

1.36 "***Net Sales***" means the gross amount billed or invoiced by or for the benefit of Ahon and its Affiliates, licensees and sublicensees (each of the foregoing, a "***Seller***") to independent, unrelated Persons ("***Buyers***") in *bona fide* arm's length transactions with respect to a Licensed Product, less the following deductions to the extent not previously deducted, in each case to the extent actually allowed and taken by such Buyers and not otherwise recovered by or reimbursed to Seller in connection with such sale of Licensed Product:

(a) trade, cash and quantity discounts and/or rebates actually allowed and taken;

(b) actual credits and/or allowances given or made for rejection and/or return of previously sold Licensed Products; and

(c) taxes, duties and/or other governmental charges levied on or measured by the billing amount, as adjusted for rebates or refunds, that are borne by the seller thereof and that are not refundable and to the extent non-creditable.

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With respect to any sale of any Licensed Product in a given country for any substantive consideration other than monetary consideration (which has the effect of reducing the invoiced amount below what it would have been in the absence of such non-monetary consideration), for purposes of calculating the Net Sales, such Licensed Product shall be deemed to be sold exclusively for cash at the average Net Sales price charged to Third Parties for cash sales of such Licensed Product in such country during the applicable reporting period (or if there were only *de minimis* cash sales in such country, at the fair market value as determined in good faith based on pricing in comparable markets). Notwithstanding the foregoing, Net Sales shall not include amounts (whether actually existing or deemed to exist for purposes of calculation) for Licensed Products distributed for use in Clinical Trials (including but not limited to charges for freight and/or insurance for the distribution provided that such amounts are not paid by the Buyer).

Net Sales shall be calculated on an accrual basis, in a manner consistent with Ahon's accounting policies for external reporting purposes, as consistently applied, in accordance with GAAP.

1.37 "***NMPA***" means the China National Medical Products Administration, formerly the China National Drug Administration, and local counterparts thereto, and any successor agency(ies) or regulatory authority thereto having substantially the same function in mainland China.

1.38 "***Other Joint IP***" means all Inventions that are made jointly by the Parties and do not relate to Licensed Product (including composition of matter, method of use or make).

1.39 "***Patents***" means any national, regional and international patent applications and patents, and any divisionals, continuations, continuations-in-part, reissues, renewals, substitutions, extensions or additions thereof, any patents that issue thereon, and any equivalents of any of the foregoing (as more fully set forth in this Agreement).

1.40 "***Patent Prosecution***" means the responsibility and authority for (a) preparing, filing and prosecuting applications (of all types) for any Patent, (b) managing any interference, opposition, re-issue, reexamination, invalidation proceedings, revocation, nullification, or cancellation proceeding relating to the foregoing, (c) deciding to abandon Patent(s), (d) listing in regulatory publications (as applicable), (e) patent term extension and maintenance, and (f) settling any interference, opposition, revocation, nullification or cancellation proceeding.

1.41 "***Person***" means any individual, unincorporated organization or association, governmental authority or agency or Entity.

1.42 "***Phase 2 Clinical Trial***" means a controlled human Clinical Trial of a Licensed Product that would satisfy the requirements of 21 CFR 312.21(b) or corresponding regulations in the Territory, regardless of whether such trial is referred to as a "phase 2 clinical trial" in the Development Plan. For clarity, a trial called a Phase 1/2 or Phase 1b/2 trial shall be considered a Phase 2 trial if it satisfies the requirements of 21 C.F.R. 312.21(b).

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1.43 "***Phase 3 Clinical Trial***" means a controlled or uncontrolled human Clinical Trial of a Licensed Product that would satisfy the requirements of 21 CFR 312.21(c) or corresponding regulations in the Territory, regardless of whether such trial is referred to as a "phase 3 clinical trial" in the Development Plan.

1.44 "***PRC***" means the People's Republic of China, which for the purposes of this Agreement shall include Hong Kong and Macau.

1.45 "***Regulatory Approval***" means, with respect to a Licensed Product in any Region in the Territory, all approvals that are necessary for the commercial sale of such Licensed Product in such Region in the Territory.

1.46 "***Regulatory Authority***" means any applicable Government Authority responsible for granting Regulatory Approvals for Licensed Products in the Territory, including the NMPA, and any corresponding national or regional regulatory authorities.

1.47 "***Regulatory Submissions***" means any filing, application, or submission with any Regulatory Authority, including authorizations, approvals or clearances arising from the foregoing, including Regulatory Approvals, and all correspondence or communication with or from the relevant Regulatory Authority, as well as minutes of any material meetings, telephone conferences or discussions with the relevant Regulatory Authority, in each case, with respect to a Licensed Product.

1.48 "***Tax***" or "***Taxes***" means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including any interest thereon). For the avoidance of doubt, Taxes includes valued add tax ("***VAT***").

1.49 "***Territory***" means the PRC, including Hong Kong, Macau and Taiwan (which for purposes of this Agreement shall each be deemed a "***Region***").

1.50 "***Third Party***" means any Person other than a Party or an Affiliate of a Party.

1.51 "***Valid Claim***" means: (a) a claim in an issued Patent that has not: (i) expired or been canceled; (ii) been declared invalid by an unreversed and unappealable or unappealed decision of a court or other appropriate body of competent jurisdiction; (iii) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or (iv) been abandoned in accordance with or as permitted by the terms of this Agreement or by written agreement of the Parties; or (b) a claim under any application for a Patent that was received, and, in any case, that has not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority or court for whatever reason (and from which no appeal is or can be taken), or abandoned.

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ARTICLE 2
LICENSE

2.1 License Grant to Ahon. Subject to the terms and conditions of this Agreement, DiaMedica hereby grants to Ahon an exclusive (exclusive even as to DiaMedica), royalty-bearing license (subject to DiaMedica's retained rights as set forth in Section 2.4), with the right to grant sublicenses solely in accordance with Section 2.2, under the DiaMedica IP and DiaMedica's interest in Collaboration IP, to:

(a) clinically Develop, sell, offer for sale, import and otherwise Commercialize the Licensed Products in the Field in the Territory (provided that in mainland China, the Development and Commercialization of the Licensed Product shall be conducted solely pursuant to the Import Drug License ("IDL") pathway of the NMPA) or, upon mutual agreement, any other regulatory pathway, including IND pathway for biologics Classification 2 of CNDA; and

(b) purchase the Licensed Product or to make and have made the Licensed Product using Licensed Protein supplied by DiaMedica in accordance with Section 6.1 (for clarity, the foregoing license does not include the right for Ahon to make the Licensed Protein except in the event that Licensor ceases its business operations pursuant to Section 8.3 of the Supply Agreement).

2.2 Right to Sublicense.

(a) Subject to the terms and conditions of this Agreement, Ahon shall have the right to grant sublicenses of the license granted to it under Section 2.1: (i) to its controlled subsidiary, provided that such sublicense shall automatically terminate if such sublicensee ceases to be controlled subsidiary of Ahon. Notwithstanding the foregoing, Ahon shall obtain DiaMedica's prior written consent if Ahon wishes to sublicense all or substantially all of Ahon's rights or obligations under this Agreement to any Third Party.

(b) Each sublicense shall be subject to a written agreement that is in full compliance with the terms and conditions of this Agreement, and Ahon shall ensure that its sublicensees comply with the terms and conditions of this Agreement. As part of each sublicense agreement, Ahon will ensure that each sublicensee acknowledges this Agreement and affirms its commitment to comply with the terms of this Agreement. Ahon may fulfill any of its obligations under this Agreement itself or through its controlled subsidiary and sublicensees, provided however that Ahon remains directly responsible for all of its obligations under this Agreement, regardless of whether any such obligation is delegated, subcontracted or sublicensed to its controlled subsidiary or sublicensees. Within thirty (30) days after the execution of any sublicense agreement, Ahon shall provide DiaMedica with a true and complete copy of such sublicense agreement certified as such by Ahon's Chief Executive Officer (and an English translation if the sublicense agreement is executed in other language).

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2.3 Upstream Licenses. Ahon acknowledges and agrees that: (a) DiaMedica obtained the rights to certain DiaMedica IP under a certain upstream license agreement; (b) the license to such DiaMedica IP granted by DiaMedica to Ahon under Section 2.1 constitutes a sublicense under the upstream license agreement; (c) such sublicense is subject to the terms and conditions of the upstream license agreement. Ahon shall not be responsible for any dispute arising from or in connection with the upstream license agreement between DiaMedica and its licensor. DiaMedica acknowledges and agrees that Ahon is not responsible for any payments to such upstream licensors in connection with the sublicense granted to Ahon under this Agreement, and the extent at which Ahon may bear the upstream obligations from such upstream licenses shall not exceed the obligations under this Agreement associated with the license granted by DiaMedica pursuant to Section 2.1.

2.4 DiaMedica Retained Rights. Without prejudice to the exclusive license granted to Ahon under Section 2.1, DiaMedica hereby expressly retains the rights to use the DiaMedica IP in the Field in the Territory in order to perform its obligations to support Ahon's obligations under this Agreement, whether directly or through its Affiliates, licensee or contractors. Once exercising such retained rights, DiaMedica shall give a prior written statement to Ahon specifying relevant information of such exercise. For clarity, DiaMedica retains the exclusive right to practice, license and otherwise exploit the DiaMedica IP outside the scope of the license granted to Ahon under Section 2.1, including without limitation the Development, manufacture and Commercialization of the Licensed Protein and Licensed Product for any indication outside the Field anywhere in the world.

2.5 License Grant to DiaMedica. Ahon hereby grants to DiaMedica an exclusive, fully paid, royalty free, perpetual, irrevocable and sublicenseable license under the Ahon's interest in the Collaboration IP to research, Develop, make, have made, use, sell, offer for sale, import and otherwise Commercialize the Licensed Product and Licensed Protein (a) for any use outside the Territory and (b) for any use outside the Field in the Territory.

2.6 Right of First Offer for Additional Indications. DiaMedica hereby grants to Ahon the right of first offer to negotiate a license agreement with DiaMedica for the Development and Commercialization of the Licensed Product in additional indications in the Territory as follows.

(a) DiaMedica shall give Ahon a prior notice in writing if DiaMedica wishes to enter into a license agreement with a Third Party for the Development and Commercialization of the Licensed Product in any indication outside the Field in the Territory. If within fourteen (14) Business Days after receiving such notice, Ahon notifies DiaMedica in writing that Ahon is interested in such a license, then the Parties shall negotiate exclusively in good faith for a period of up to ninety (90) days (or such longer time period as the Parties may agree) (the "**Negotiation Period**") the terms and conditions of a separate license agreement for Ahon to obtain a license from DiaMedica to Develop and Commercialize the Licensed Product in such indication in the Territory. If the Parties do not enter into such a license agreement before the expiration of the Negotiation Period, then DiaMedica may enter into discussion and negotiation with any Third Party for such a license agreement without further obligations to Ahon and Ahon's right of first offer shall expire.

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(b) Ahon shall notify DiaMedica in writing if Ahon wishes to enter into a license agreement with DiaMedica for the Development and Commercialization of the Licensed Product in any indication outside the Field in the Territory. The Parties shall then negotiate exclusively in good faith for a period of up to ninety (90) days (or such longer time period as the Parties may agree) (the "**Negotiation Period**") the terms and conditions of a separate license agreement for Ahon to obtain a license from DiaMedica to Develop and Commercialize the Licensed Product in such indication in the Territory. If the Parties do not enter into such a license agreement before the expiration of the Negotiation Period, then DiaMedica may enter into discussion and negotiation with any Third Party for such a license agreement without further obligations to Ahon and Ahon's right of first offer shall expire.

(c) For clarity, if both Parties fails in reaching agreement for the Licensed Product in additional indications in the Territory, DiaMedica shall use commercially reasonable efforts to differentiate the product candidate from the Licensed Product for the additional indication and the new product candidate shall be at least under Phase IIa study before DiaMedica notifies Ahon regarding the opportunity pursuant to Section 2.6(a).

2.7 No Implied Licenses; Negative Covenant. Except as set forth herein, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, under any trademarks, patents or patent applications of the other Party. Ahon shall not, and shall not permit any of its Affiliates or sublicensees to, practice any DiaMedica IP outside the scope of the license granted by DiaMedica to Ahon under the terms of this Agreement.

2.8 Non-Compete. During the Term of this Agreement, Ahon shall not, and shall ensure that its subsidiaries and sublicensees will not, engage in (independently or for or with any Third Party) any development or commercialization of any product comprising, in whole or in part, a recombinant human tissue kalikrein-1 protein ("rhKLK1") anywhere in the world. Notwithstanding the foregoing, Ahon's subsidiaries and sublicensees anywhere in the world shall be permitted to distribute or sell (but not, for the avoidance of doubt, to manufacture, develop, or market) a rhKLK1 product through its pharmacies (including online pharmacies) or through its hospitals as part of the course of normal business, provided that such Affiliates, subsidiaries and sublicensees do not receive any royalty, licensee fee, milestone payment, success fee payment with respect to the distribution or sale of such rhKLK1 product (other than the payment for the price thereof as for any other product that they sell or distribute). For clarity, Direct Competitive Product is defined to be any product comprising, in whole or in part, a rhKLK1.

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ARTICLE 3
GOVERNANCE

3.1 Alliance Managers. Each Party shall appoint an individual to act as its alliance manager under this Agreement as soon as practicable after the Effective Date (the "***Alliance Manager***"). The Alliance Managers shall: (a) serve as the primary contact points between the Parties for the purpose of providing the other Party with information on the progress of such Party's activities under this Agreement; (b) be responsible for facilitating the flow of information and otherwise promoting communication, coordination and collaboration between the Parties; and (c) facilitate the prompt resolution of any disputes. Each Party may replace its Alliance Manager at any time upon written notice to the other Party.

3.2 In the event of a different opinion, (a) with respect to the decision that may affect Development, Regulatory Approval and Commercialization of the Licensed Product outside the Territory, DiaMedica shall make the final decision; (b) with respect to the decision that only affects Development, Regulatory Approval and Commercialization of the Licensed Product in the Territory, Ahon shall make the final decision.

ARTICLE 4
DEVELOPMENT PROGRAM

4.1 Diligence and Responsibilities.

(a) Ahon shall be responsible for and use Commercially Reasonable Efforts to Develop the Licensed Product in the Field in each of the Regions in the Territory in accordance with the Development Plan, as defined below.

(b) Ahon shall conduct its tasks set forth in to the Development Plan and to attempt to achieve the objectives set forth therein in a timely manner. Ahon shall perform such obligations in a professional manner, and in compliance with the Development Plan and the requirements of all Applicable Laws, including GLP and GCP.

(c) Without limiting the foregoing, Ahon shall achieve the following Development milestone before the deadline specified in the table below. For each calendar quarter during Development, Ahon shall provide to DiaMedica a report that details the progress and results of the Development Plan with DiaMedica's assistance especially on the initial Development Plan, which report shall include a summary of the Development activities performed and all results, analysis and conclusions thereof. DiaMedica shall review such report and make recommendations regarding changes to the Development Plan. The initial Development Plan is attached in Exhibit C subject to Section 4.2.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Development Milestone	**Estimated time**
Obtain CTA approval or IND filing review results by NMPA	[***] months after the Effective Date

(d) DiaMedica shall be responsible for and use Commercially Reasonable Efforts to Develop the Licensed Product in the Field outside the Territory in accordance with DiaMedica's development plan and assist Ahon to undertake Ahon's responsibilities pursuant to Development and Regulatory Approval in the Agreement before First Commercial Sale of Licensed Product in the Territory, which assistance shall be provided without further cost through CTA submission. After CTA submission, such assistance shall be provided at no cost for the first [***] FTE hour and at the rate of US$[***] per FTE hours thereafter. In any case Ahon shall reimburse DiaMedica for its out-of-pocket expenses (including travel and accommodation) incurred to provide such assistance. Nevertheless, Ahon's total payment to DiaMedica for such technical assistance shall not be over than $[***] and the normal project communication shall not be included.

(e) In the event that NMPA requires supplementary non-clinical studies involving CMC ("CMC" means Chemistry, Manufacturing and Controls section of a regulatory submission document included in an IND or CTA and NDA as set forth in 21 CFR § 314.50), pharmacology and/or toxicology studies for CTA approval, DiaMedica shall use Commercially Reasonable Efforts to perform such non-clinical studies, including sourcing the reference drugs, and Ahon shall reimburse DiaMedica for the cost and expenses to conduct such supplemental non-clinical studies up to a total of [***] RMB (for clarity, the reimbursement payment shall be made in Dollars in accordance with Section 8.5); provided however that if the cost and expense of such supplemental non-clinical studies exceed [***] RMB, then the Parties shall discuss and negotiate the allocation of such excess cost and expenses and, if the Parties are unable to agree, DiaMedica shall have no obligation to continue such studies and either Party may terminate this Agreement upon written notice to the other Party. In addition, both parties shall negotiate in good faith while Ahon shall have the final decision right to terminate this Agreement if the CTA approval letter issued by NMPA places excessive requirements on clinical studies in mainland China more than Ahon can undertake.

(f) In order to support the Development of the Licensed Product in the Territory, DiaMedica shall enroll at least [***] Chinese ancestry patients in its global or multi-region Phase 2 Clinical Trial of the Licensed Product, and shall provide Ahon with the data from such Clinical Trial so that Ahon may decide whether to attend DiaMedica's global or multi-region Phase 3 Clinical Trial. For clarity, the Parties agree that it would benefit both Parties' to use a global or multi-region Phase 3 Clinical Trial to support Regulatory Approval of the Licensed Product in the Field. However, and for the sake of clarity, Ahon will use Commercially Reasonable Efforts to prepare and file an IND application for the Licensed Product, subject to section 8.2(b)(i), to NMPA for a CTA for a study in the Territory, subject to section 4.1(c) and Exhibit C and Ahon shall bear all of the cost and expenses of such Clinical Trial in the Territory. In the event that global or multi-region Phase 3 Clinical Trial is insufficient to support Regulatory Approval of the Licensed Product in the Field in the Territory, the Parties' second option is to use such global or multi-region Phase 3 Clinical to obtain conditional Regulatory Approval with post-market study requirement, in which case Ahon shall bear all of the cost and expenses of such Clinical Trial and required post-market study in the Territory. In the event that NMPA requires an active controlled extensional study (in addition to the global or multi-region Phase 3 Clinical Trial) for Regulatory Approval, the Parties shall negotiate in good faith for matters related to regulatory path and clinical development plan, and Ahon shall bear all of the cost and expenses of such Clinical Trial and required extensional study in the Territory, provided however that Ahon may deduct the cost of reference drugs used in the extensional study from the royalty payment due to DiaMedica during the first twelve (12) months after the First Commercial Sale.

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4.2 Development Plan. All Development of the Licensed Product in the Field in the Territory under this Agreement shall be conducted pursuant to a written development plan (the "***Development Plan***"), as such Development Plan may be drafted and revised by Ahon and submitted to DiaMedica for review. The Development Plan shall contain in reasonable detail all major Development activities (including all Clinical Trials) to support Regulatory Approval in Territory and the timelines for achieving such activities through and including obtaining Regulatory Approval in each of the Regions. As of the Effective Date, the Parties have agreed to the initial Development Plan, which is attached hereto as **Exhibit C**. From time to time, but at least every four (4) months, Ahon shall propose updates or amendments to the Development Plan in consultation with DiaMedica and submit such proposed updated or amended plan to DiaMedica for review and discussion.

4.3 Development Costs. Ahon shall be solely responsible for the cost and expense incurred by Ahon in the Development of the Licensed Products in the Field in the Territory, including the performance of the Development activities under the Development Plan and the investigational medicinal product and the placebo by purchasing from DiaMedica at the transfer price set in Section 6.1.

4.4 Development Records. Ahon shall maintain complete, current and accurate records of all Development activities conducted by it hereunder, and all data and other information resulting from such activities in accordance with the standards of the applicable Regulatory Authority in the Territory. Such records shall fully and properly reflect all work done and results achieved in the performance of the Development activities in good scientific manner appropriate for regulatory purposes in the Territory. Ahon shall document all non-clinical studies and Clinical Trials in formal written study reports according to Applicable Laws and national and international guidelines (*e.g.*, ICH, GCP and GLP) or as amended and as defined in the equivalent regulation issued by NMPA. Upon DiaMedica's request, Ahon shall, and shall cause its Affiliates, subsidiaries and sublicensees to, (a) provide DiaMedica with copies of such records (including English translation if such records are in other language), and (b) allow DiaMedica to access, review and copy such records (including access to relevant databases). DiaMedica shall have the right to use the data and results generated by or on behalf of Ahon, its subsidiaries and sublicensees for the Licensed Products to Develop, manufacture and Commercialize the Licensed Products outside the Territory and outside the Field in the Territory, except to the extend such use is prohibited, on the basis that it is allowed by PRC law, and if DiaMedica uses such data and results for any purpose other than the Development, manufacture and Commercialization of the Licensed Product, DiaMedica shall give Ahon prior notice in writing of the purposes of such use.

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4.5 Development Reports. Ahon shall provide DiaMedica with quarterly written reports summarizing its, its Affiliates, subsidiaries and sublicensees' Development of Licensed Products, including a summary of the data, timeline and results of such Development. Both parties shall cooperate to ensure a secure link to provide DiaMedica electronic access to such information. Without limiting the foregoing, such reports shall contain sufficient detail to enable DiaMedica to assess Ahon's compliance with its Development obligations hereunder. Such reports shall be Confidential Information of Ahon pursuant to Article 9. Ahon shall respond to DiaMedica's reasonable requests from time to time for additional information regarding significant Development activities.

4.6 Data Exchange and Use. In addition to its adverse event and safety data reporting obligations pursuant to Section 5.4, each Party shall promptly provide the other Party with copies of all data and results and all supporting documentation (e.g. protocols, CRFs, analysis plans) generated by or on behalf of such Party in the Development of the Licensed Products in accordance with Applicable Laws. Ahon shall have the right to use and reference such data and results provided by DiaMedica, without additional consideration, for the purpose of obtaining and maintaining Regulatory Approval of the Licensed Products in the Field in the Territory and other reasonable purposes under the Agreement. DiaMedica shall have the right to use and reference such data and results provided by Ahon, without additional consideration, for the purpose of obtaining and maintaining Regulatory Approval of the Licensed Products outside the Territory and outside the Field in the Territory and other reasonable purposes under the Agreement, except to the extent such use is prohibited by PRC law, and if DiaMedica uses such data and results for any purpose other than the Development, manufacture and Commercialization of the Licensed Product, DiaMedica shall give Ahon a prior notice in writing of the purposes of such use.

4.7 Subcontractor. Ahon shall have the right to engage subcontractors for purposes of conducting activities assigned to it under this Agreement or for which it is responsible under this Agreement. Ahon shall cause any subcontractor engaged by it to be bound by written obligations of confidentiality and non-use consistent with this Agreement. Ahon shall cause its subcontractors to assign to Ahon (or grant a fully paid-up, exclusive, fully sublicenseable, royalty-free, worldwide license to Ahon under) all intellectual property made by such subcontractor in the course of performing such subcontracted work that relates to Licensed Protein or Licensed Products or their use or sale, which intellectual property will be deemed to be Collaboration IP and subsequently assigned (or exclusively sublicensed) to DiaMedica under Section 12.1(a). Ahon shall remain directly responsible for any obligations under this Agreement that have been delegated or subcontracted to any subcontractor and shall be directly responsible for the performance of its subcontractors.

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ARTICLE 5
REGULATORY

5.1 Ahon's Responsibilities.

(a) Ahon shall be responsible for all regulatory activities leading up to and including the obtaining of the Regulatory Approvals for the Licensed Products in the Field from the Regulatory Authority in the Territory, at its sole cost and expense (including the fees associated with compiling product dossier and registering the Licensed Products in the Territory). Ahon shall own and hold all Regulatory Approvals for the Licensed Products in the Field in the Territory. Ahon shall keep DiaMedica informed of regulatory developments related to the Licensed Products in the Field in the Territory and shall promptly notify DiaMedica in writing of any decision by any Regulatory Authority in the Territory regarding the Licensed Products. For clarity, in mainland China, Ahon shall obtain Regulatory Approval of the Licensed Product only pursuant to the Import Drug License pathway of the NMPA.

(b) Ahon shall provide DiaMedica with draft of all Regulatory Submissions a reasonable time prior to submission for review and comment, and shall consider in good faith any comments received from DiaMedica. In addition, Ahon shall notify DiaMedica of any Regulatory Submission submitted to or received from any Regulatory Authority in the Territory and shall provide DiaMedica with copies thereof within five (5) days after submission or receipt. In the case of verbal communications, Ahon shall prepare a detailed written report of the communication within five (5) days of the verbal communication. If any such Regulatory Submission is not in the English language, Ahon shall also provide DiaMedica with an English translation thereof as soon as practicable. DiaMedica shall have the right to review and comment on such Regulatory Submissions and Ahon shall take such comment into consideration and incorporate any such comments when appropriate.

(c) Ahon shall provide DiaMedica with reasonable advance notice of any meeting or discussion with any Regulatory Authority in the Territory related to the Licensed Product in the Field. Ahon shall lead such meeting or discussion, provided however that DiaMedica or its designee shall have the right, but not the obligation, to attend and participate in such meeting or discussion (subject to the consent of the Regulatory Authority). If DiaMedica elects not to attend such meeting or discussion, Ahon shall promptly provide DiaMedica with a written English summary of such meeting or discussion.

5.2 DiaMedica's Responsibilities. DiaMedica shall reasonably cooperate with Ahon in obtaining any Regulatory Approvals for a Licensed Product in the Field in the Territory by providing, to the extent Controlled by DiaMedica, access to Regulatory Approvals, Regulatory Submissions, clinical data, and other data, information, certificates and documentation for the Licensed Products outside of the Territory. Unless otherwise stated in this Agreement, Ahon shall reimburse DiaMedica for any cost and expense incurred by DiaMedica to provide assistance to Ahon for such cooperation and assistance in accordance with Section 4.1(d).

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

5.3 Right of Reference. Each Party hereby grants to the other Party the right of reference to all Regulatory Submissions pertaining to the Licensed Products in the Field submitted by or on behalf of such Party. Ahon may use such right of reference to DiaMedica's Regulatory Submissions solely for the purpose of seeking, obtaining and maintaining Regulatory Approval of the Licensed Products in Field in the Territory. DiaMedica may use the right of reference to Ahon's Regulatory Submissions solely for the purpose of seeking, obtaining and maintaining regulatory approval of the Licensed Products outside the Territory and outside the Field in the Territory, except to the extent such use is prohibited by PRC law, and if DiaMedica uses such Regulatory Submission for any purpose other than the Development, manufacture and Commercialization of the Licensed Product, DiaMedica shall give Ahon a prior notice in writing of the purposes of such use.

5.4 Adverse Events Reporting.

(a) Promptly following the Effective Date, but in no event later than six (6) months thereafter, Ahon and DiaMedica shall develop and agree to the worldwide safety and pharmacovigilance procedures for the Parties with respect to the Licensed Products, such as safety data sharing and exchange, adverse events reporting and prescription events monitoring in a written agreement (the "***Safety Agreement***"), provided, however, the parties agree such Safety Agreement shall be in fully entered into by the parties prior to any clinical Development occurs within the Territory. Such agreement shall describe the coordination of collection, investigation, reporting, and exchange of information concerning adverse events or any other safety problem of any significance, and product quality and product complaints involving adverse events, sufficient to permit each Party, its Affiliates, licensees or sublicensees to comply with its legal obligations. The Safety Agreement shall be promptly updated if required by changes in legal requirements. Each Party hereby agrees to comply with its respective obligations under the Safety Agreement and to cause its Affiliates, licensees and sublicensees to comply with such obligations.

(b) Ahon shall maintain an adverse event database for the Licensed Products in the Field in the Territory, at its sole cost and expense, and shall be responsible for reporting quality complaints, adverse events and safety data related to the Licensed Products to the applicable Regulatory Authorities in the Territory, as well as responding to safety issues and to all requests of Regulatory Authorities related to the Licensed Products in the Territory. Ahon shall provide to DiaMedica access to Ahon's adverse event database for the Territory. DiaMedica shall maintain a global adverse event database for the Licensed Products at DiaMedica's cost and expense.

(c) Ahon shall be responsible for complying with all Applicable Laws governing adverse events in the Territory. Ahon shall notify DiaMedica on a timely basis of any adverse events occurring in the Territory. Ahon shall submit copies of reports of adverse events to DiaMedica simultaneously with submission to the applicable Regulatory Authorities in the Territory. Each Party shall notify the other in a timely manner and in any event within twenty four (24) hours of receiving any serious adverse event reports from Clinical Trials that each Party is monitoring, notice from a Regulatory Authority, independent review committee, data safety monitoring board or another similar clinical trial or post-marketing monitoring body alleging significant concern regarding a patient safety issue or other material information relevant to the safety or efficacy of the Licensed Products.

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5.5 Safety and Regulatory Audits. Upon reasonable notification, DiaMedica or its representatives shall be entitled to conduct an audit of safety and regulatory systems, procedures and practices of Ahon, its Affiliates, sublicenses or subcontractors (including Clinical Trial sites) relating to the Licensed Products. Ahon shall promptly notify DiaMedica of any inspection of Ahon, its Affiliates, sublicenses or subcontractors (including Clinical Trial sites) by any Regulatory Authority relating to the Licensed Products and shall provide DiaMedica with all information pertinent thereto. DiaMedica shall have the right, but not the obligation, to be present at any such inspection. Ahon shall also permit the Regulatory Authorities outside the Territory to conduct inspections of Ahon, its Affiliates, sublicenses or subcontractors (including Clinical Trial sites) relating to the Licensed Product, and shall ensure that such Affiliates, sublicensees and subcontractors permit such inspections.

5.6 No Harmful Actions. If DiaMedica believes that Ahon is taking or intends to take any action with respect to the Licensed Product that could have a material adverse impact upon the regulatory status of the Licensed Product outside the Territory or outside the Field in the Territory, Ahon, within five (5) days of receiving written notice and evidence from DiaMedica, shall cease such activity. Without limiting the foregoing, unless the Parties otherwise agree: (a) Ahon shall not communicate with any Regulatory Authority having jurisdiction outside the Territory, unless so ordered by such Regulatory Authority, in which case Ahon shall immediately notify DiaMedica of such order; and (b) Ahon shall not submit any Regulatory Submissions or seek regulatory approvals for the Licensed Product outside the Territory or outside the Field.

5.7 Notice of Regulatory Action. If any Regulatory Authority takes, or gives notice of its intent to perform an inspection, investigation, or audit on Ahon, its Affiliates or sublicensees relating to the Licensed Protein or Licensed Products, then Ahon shall promptly notify DiaMedica of such contact, inspection or notice or action within a reasonable period (but in any event within five (5) days). DiaMedica shall have the right review and comment on any such responses to Regulatory Authorities that pertain to the Licensed Protein and/or Licensed Products; provided that Ahon shall have the final decision-making authority with respect to such responses to the extent relating solely to the Licensed Protein and/or Licensed Products in the Field in the Territory. The cost and expenses of any regulatory action in the Field in the Territory shall be borne solely by Ahon. Ahon shall, and shall ensure that its Affiliates and sublicensees will, maintain adequate records to permit the Parties to trace the distribution, sale and use of the Licensed Product in the Field in the Territory. In addition, each Party shall promptly notify the other of any information it receives regarding any threatened or pending action, inspection or communication by or from a Third Party that would reasonably be expected to materially affect the Development or Commercialization of the Licensed Protein or Licensed Products.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

ARTICLE 6
SUPPLY AGREEMENT

6.1 Supply Agreement. DiaMedica will provide Ahon with Licensed Products or the Licensed Protein as Active Ingredient necessary to produce the Licensed Product under the Supply Agreement, which shall be provided at an adjustable Transfer Price, as defined in the Exhibit B of the Supply Agreement. Both Parties shall negotiate the Transfer Price in good faith, when (i) the Product enters the Reimbursement Drug List or National Drug Price Negotiation Mechanism; or (ii) the bidding price or retail price of the Direct Competitive Product in the Territory becomes significantly lower than the bidding price or retail price of the Product. A copy of the Supply Agreement is included in **Exhibit E**, and subject to the recitals of the Supply Agreement, Licensee shall use the Licensed Products or Licensed Protein supplied under the Supply Agreement solely for Development and Commercialization use in the Field in the Territory. Unless the Parties otherwise agree, Ahon (either by itself or through its sublicensees or contractors) shall have the right to manufacture the Licensed Product using the Licensed Protein supplied by DiaMedica pursuant to the Supply Agreement or for the manufacture of the Licensed Protein in and for the Territory through technology transfer made by DiaMedica in the event of DiaMedica ceasing its business operation pursuant to Section 8.3 of the Supply Agreement. Nevertheless, Ahon shall retain the right to audit the Transfer Price with a similar auditing mechanism in Section 8.7.

6.2 Reference Drugs. If the NMPA requests any supplementary studies for the approval of the CTA or MRCT and the related IND for the Licensed Product, DiaMedica shall source such reference drugs for Ahon, with the cost of such reference drugs to be paid by Ahon.

ARTICLE 7
COMMERCIALIZATION

7.1 Commercialization Diligence. Ahon shall be responsible for, and shall use Commercially Reasonable Efforts to Commercialize the Licensed Products in the Field in the Territory in accordance with the Commercialization Plan, at its sole cost and expense. Without limiting the foregoing, Ahon shall achieve First Commercial Sale of the Licensed Products within six (6) months after obtaining Regulatory Approval for the Licensed Product in each of the Regions, unless in the events of (i) DiaMedica's failure to timely provide samples of Licensed Product from three (3) commercial batches, or (ii) such samples' failure to comply with NIFDC's inspection, or (iii) further packaging required when the Licensed Product is in bulk form, or (iv) or some unexpected time costed by then effective governmental regulations, such timeline shall be extended by the period of DiaMedica's delay or period required for NIFDC's inspection. "NIFDC" means the National Institutes for Food and Drug Control of the People's Republic of China and all port IFDCs under its direction and supervision.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

7.2 Commercialization Plan. The Commercialization Plan shall contain in reasonable detail the major Commercialization activities planned for the Licensed Products in the Field in each of the Regions in the Territory and the timelines for achieving such activities. Ahon shall deliver an initial Commercialization Plan to DiaMedica for review and discussion no later than twelve (12) months prior to the anticipated date of the first filing of the first Regulatory Approval for the Licensed Product in the Territory. After the first Regulatory Approval is received, Ahon shall provide updated Commercialization Plans to DiaMedica on a quarterly basis with such updates to reflect changes in such plans, including those in response to changes in the marketplace, relative success of the Licensed Products, and other relevant factors influencing such plan and activities.

7.3 Commercialization Reports. For each Calendar Year following the first Regulatory Approval for any Licensed Product in the Territory, Ahon shall provide to DiaMedica annually within thirty (30) days after the end of such Calendar Year a written report that summarizes the Commercialization activities on a Licensed Product-by-Licensed Product and Region-by-Region basis performed by or on behalf of Ahon, its Affiliates and sublicensees in the Territory since the prior report by Ahon. Such report shall contain sufficient detail to enable DiaMedica to assess Ahon's compliance with its Commercialization obligations in this Agreement. Such reports shall be Confidential Information of Ahon pursuant to Article 9.

7.4 Global Brand; Product Labeling. Ahon acknowledges that DiaMedica may decide to develop and adopt certain distinctive colors, logos, images, symbols, and trademarks to be used in connection with the Commercialization of the Licensed Products on a global basis (such branding elements, collectively, the "**Global Brand Elements**"). DiaMedica shall own all rights in such Global Brand Elements, and shall grant Ahon the exclusive right, free of charge, to use such Global Brand Elements in connection with the Commercialization of the Licensed Products in the Field in the Territory. Ahon shall Commercialize the Licensed Products in the Field in the Territory in a manner consistent with the Global Brand Elements. Ahon shall provide samples of all products labeling and packaging to be used for each Licensed Product, in each Region in the Territory if different, to DiaMedica for its review and approval prior to using such labeling. DiaMedica will not unreasonably delay or withhold its approval.

7.5 Diversion.

(a) Ahon hereby covenants and agrees that it shall not, and shall ensure that its Affiliates, contract manufacturers and sublicensees shall not, either directly or indirectly, promote, market, distribute, import, export, sell or have sold any Licensed Products, including via the Internet or mail order, (i) to any Third Party outside the Territory for any use, or (ii) to any Third Party anywhere in the world for any use outside the Field (whether commercial, Development or otherwise). Ahon shall not engage, or permit its Affiliates, contract manufacturers and sublicensees to engage, in any advertising or promotional activities relating to any Licensed Products directed primarily to customers or other buyers or users outside the Territory or for any use outside the Field, or solicit or accept orders from any prospective purchaser outside the Territory or for any use outside the Field. If Ahon or its Affiliates, contract manufacturers or sublicensees receive any order for the Licensed Products from a prospective purchaser outside the Territory or for any use outside the Field, Ahon shall immediately refer that order to DiaMedica and shall not accept any such orders. Ahon shall not, and shall not permit its Affiliates, contract manufacturers and sublicensees to, deliver or tender (or cause to be delivered or tendered) any Licensed Products outside the Territory or for any use outside the Field.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) DiaMedica hereby covenants and agrees that it shall not, and shall ensure that its Affiliates, contract manufacturers and sublicensees shall not, either directly or indirectly, promote, market, distribute, import, export, sell or have sold any Licensed Products, including via the Internet or mail order, for use in the Field in the Territory. DiaMedica shall not engage, or permit its Affiliates, contract manufacturers and sublicensees to engage, in any advertising or promotional activities relating to any Licensed Products directed primarily to customers or other buyers or users in the Field in the Territory, or solicit orders from any prospective purchaser in the Field in the Territory. If DiaMedica or its Affiliates or contract manufacturers or sublicensees receive any order for the Licensed Products from a prospective purchaser in the Field the Territory, DiaMedica shall immediately refer that order to Ahon and shall not accept any such orders. DiaMedica shall not, and shall not permit its Affiliates, contract manufacturers and sublicensees to, deliver or tender (or cause to be delivered or tendered) any Licensed Products for use in the Field in the Territory.

ARTICLE 8
PAYMENTS

8.1 Upfront Payment. Ahon shall pay to DiaMedica a one-time, non-refundable, non-creditable upfront payment of [***]. Ahon shall use commercially reasonable effort to make this payment as soon as practicable after the Effective Date of this Agreement, however, in no event will the payment occur more than thirty (30) days after the Effective Date of this Agreement,

8.2 Development Milestones Payments.

(a) Events. Subject to the remainder of this Section 8.2, Ahon shall notify DiaMedica in writing within ten (10) Business Days after the achievement by Ahon, its Affiliates or sublicensees, of any milestone event set forth in this Section 8.2, and Ahon shall pay DiaMedica the non-refundable, non-creditable milestone payments set forth in the tables below within thirty (30) days of the achievement of such milestone event in the Territory.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Milestone Event	Milestone Payment
1. Approval of CTA by the NMPA	$[***]
2. Successful Completion of Phase 2 Clinical Trial or Initiation of the first Phase 3 Clinical Trial or registration study, whichever is earlier	$[***]
3. Successful Completion of Phase 3 Clinical Trial or registration study or filing of the first MAA with NMPA, whichever is earlier	$[***]
4. First Commercial Sale in mainland China	$[***]

(b) Milestone Conditions.

(i) Preparation for "Approval of CTA by the NMPA" - DiaMedica shall be responsible for identifying the translation company in China, negotiating the terms and timeline for the translation and the translation quality of the IND filing documents. Ahon will review and enter into the contract with the translation company within three weeks of being presented with the contract. Ahon is responsible for the IND submission with the translated documentation and other necessary certificates in the Territory. Ahon shall submit the completed IND to the NMPA within 20 business days of completion by the translation company to allow Ahon's completion of proofreading and stamping with corporate seal for release of such translated IND filing documents. The contract with the translation company and the cost of the translation pursuant to this Section 8.2(b)(i) shall be subject to Ahon's consent prior to execution, and such consent shall not be unreasonable withheld or delayed.

(ii) "**Successful Completion**" of a Clinical Trial means that the data from such Clinical Trial meet the primary end point(s) as set forth in the protocol of such Clinical Trial.

(iii) "**Initiation**" of a Clinical Trial means the first dosing of the first human subject enrolled in such Clinical Trial.

(iv) Each milestone payment set forth above shall be payable only once, regardless of the number of times any milestone event is achieved or the number of Licensed Products that achieve such milestone event.

(v) If any milestone event occurs without one of the prior milestone events occurring, then the milestone payment to be made with respect to the prior milestone event shall be paid at the same time as the payment for the subsequent milestone event.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

8.3 Sales Milestones Payments. Ahon shall pay to DiaMedica the one-time, non-refundable, non-creditable sales milestone payments set forth below during the Term of this Agreement, in each case within twenty (20) days after the end of the first Calendar Quarter during which the aggregated Net Sales of all Licensed Products in the Territory first reach the values indicated below. For clarity, the milestone payments in this Section 8.3 shall be additive such that if multiple milestone events specified below are achieved in the same Calendar Quarter, then the milestone payments for all such milestone events shall be payable.

Aggregated Net Sale of all Licensed Products in the Territory	**Milestone Payment**
1. Equal or exceed $[***]	$[***]
2. Equal or exceed $[***]	$[***]
3. Equal or exceed $[***]	$[***]
4. Equal or exceed $[***]	$[***]

8.4 Royalty Payments.

(a) Royalty Rates. Subject to the reminder of this Section 8.4, Ahon shall make quarterly non-refundable, non-creditable royalty payments to DiaMedica on the Net Sales of all Licensed Products sold in the Territory, as calculated by multiplying the applicable royalty rate set forth below by the corresponding amount of incremental, aggregated annual Net Sales of all Licensed Products sold in the Territory in the applicable Calendar Year.

For that portion of annual Net Sale of all Licensed Products in the Territory		**Royalty Rate**
1.Less than or equal to	$[***]	[***]%
2.Greater than but less than or equal to	$[***] $[***]	[***]%
3.Greater than but less than or equal to	$[***] $[***]	[***]%
4.Greater than But less than or equal to	$[***] $[***]	[***]%
5.Greater than	$[***]	[***]%

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) Royalty Term and Reduction.

(i) The royalty payments payable under this Section 8.4 shall be payable for all Licensed Products sold during the Term of this Agreement; provided however that, on a Licensed Product-by-Licensed Product and Region-by-Region basis, the royalty rate set forth in Section 8.4(a) above shall be reduced by [***] for Net Sale of the Licensed Products sold in a Region in the Territory after the later of: (A) fifteenth (15^{th}) anniversary of the date of the First Commercial Sale of such Licensed Product in such Region; or (B) the expiration of the last Valid Claim within the DiaMedica Patents that covers such Licensed Product (including composition of matter, method of use or make) in such Region.

(ii) During the Term of this Agreement when the royalty reduction set forth above applies, the Parties shall negotiate and agree a reasonable minimum Net Sales level. If the Parties are unable to agree on such minimum Net Sales level or if Ahon fails to achieve such agreed minimum Net Sales level, DiaMedica shall have the right to terminate this Agreement immediately upon written notice to Ahon.

(c) Royalty Reports and Payments. Within twenty (20) days after each Calendar Quarter, commencing with the Calendar Quarter during which any Licensed Product is sold anywhere in the Territory, Ahon shall provide DiaMedica with a report that contains the following information for the applicable Calendar Quarter, on a Licensed Product-by-Licensed Product and Region-by-Region basis: (i) the number of units and amount of Net Sales of the Licensed Products in the transaction currency, (ii) a calculation of the royalty payment due on such sales, including any royalty reduction made in accordance with Section 8.4(b), (iii) the exchange rate for such Region as determined in accordance with Section 8.5; and (iv) whether any sales milestone in Section 8.3 is achieved. Within twenty (20) Business Days after the delivery of the applicable quarterly report, Ahon shall pay in Dollars all royalties due to DiaMedica with respect to Net Sales by Ahon, its Affiliates and their respective sublicensees for such Calendar Quarter and, if any sales milestone event is achieved, the corresponding sales milestone payment.

8.5 Currency; Exchange Rate. All payments to be made by Ahon to DiaMedica under this Agreement shall be made in Dollars by bank wire transfer in immediately available funds to a bank account designated in writing by DiaMedica. The rate of exchange to be used in computing the amount of currency equivalent in Dollars shall be made at the average of the closing exchange rates reported in The Wall Street Journal (U.S., Eastern Edition) for the first, middle and last business days of the applicable Calendar Quarter for the payment due.

8.6 Late Payments. Any payments or portions thereof due hereunder that are not paid on the date such payments are due under this Agreement shall bear interest at a rate equal to the lesser of: (a) rate of [***] per month or (b) the maximum rate permitted by Applicable Laws; in each case calculated on the number of days such payment is delinquent, compounded monthly.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

8.7 Financial Records and Audits. Ahon shall maintain complete and accurate records in sufficient detail to permit DiaMedica to confirm the accuracy of the amount of royalty payments and other amounts payable under this Agreement (including the achievement of sales milestone events). Upon reasonable prior notice in writing, such records shall be open during regular business hours for a period of three (3) years from the creation of individual records for examination by an independent certified public accountant selected by DiaMedica and reasonably acceptable to Ahon for the sole purpose of verifying for DiaMedica the accuracy of the financial reports furnished by Ahon pursuant to this Agreement or of any payments made, or required to be made by Ahon pursuant to this Agreement. Such audits will not occur more often than once each Calendar Year. Such auditor shall not disclose Ahon's Confidential Information to DiaMedica or to any Third Party, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by Ahon or the amount of payments by Ahon under this Agreement. Any amounts shown to be owed but unpaid shall be paid within thirty (30) days after the accountant's report, plus interest (as set forth in Section 8.6) from the original due date. DiaMedica shall bear the full cost of such audit unless such audit reveals an underpayment by Ahon of more than [***] of the amount actually due for the time period being audited, in which case Ahon shall reimburse DiaMedica for the costs for such audit.

8.8 Receipt. Upon receiving each payment by Ahon, DiaMedica shall send a receipt to Ahon within five (5) Business Day via reasonable means as a confirmation of Ahon's payment.

8.9 Taxes.

(a) Taxes on Income. Except as set forth in this Section 8.9, each Party shall be solely responsible for the payment of any and all Taxes levied on account of all payments it receives under this Agreement.

(b) Tax Cooperation. The Parties agree to cooperate with one another in accordance with Applicable Laws and use reasonable efforts to minimize Tax withholding or similar obligations in respect of royalties, milestone payments, and other payments made by Ahon to DiaMedica under this Agreement. Each Party shall be responsible for all its own taxes and fees, including without limitation business tax, income tax, VAT, customs duties, sales tax and any other taxes payable under any applicable laws and regulations. For clarity, To the extent any payments made by Ahon pursuant to this Agreement become subject to income withholding taxes under the applicable laws of any jurisdiction or governmental authority, (i) Ahon shall deduct and withhold the amount of such taxes for the account of DiaMedica to the extent required by such applicable laws and the amounts payable to DiaMedica shall be reduced by the amount actually deducted and withheld; and (ii) Ahon shall pay the full amounts of the taxes required to be deducted and to the proper governmental authority in full and in a timely manner and transmit to DiaMedica an official tax certificate or other legally required evidence of such tax obligations together with proof of payment from the relevant governmental authority of all amounts deducted and withheld sufficient to enable DiaMedica to claim such payment of taxes. Ahon shall bear the VAT and its surplus taxes.

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(c) For clarity and without limiting Section 8.9(b) above, if Ahon assigns, transfers or otherwise disposes of some or all of its rights and obligations to any Person and if, as a result of such action, the withholding or deduction of Tax required by Applicable Laws with respect to payments under this Agreement is increased, then the increased part shall be borne and paid by Ahon.

(d) For the avoidance of doubt, Ahon shall assume all the expenses and taxes, transportation fees (FCA, Incoterms 2010) and other fees relating to or arising from importing the Licensed Product or the Licensed Protein into the Territory and promoting and selling such products in the Territory.

ARTICLE 9
CONFIDENTIALITY; PUBLICATION

9.1 Duty of Confidence. Subject to the other provisions of this Article 9:

(a) Except to the extent expressly authorized by this Agreement, all Confidential Information of a Party (the "***Disclosing Party***") shall be maintained in confidence and otherwise safeguarded, and not published or otherwise disclosed, by the other Party (the "***Receiving Party***") and its Affiliates for the Term and seven (7) years thereafter except for Confidential Information related to trade secrets and know-how related to the Licensed Products and the Licensed Protein which shall be maintained in confidence and otherwise safeguarded in perpetuity in accordance with Applicable Laws;

(b) the Receiving Party may only use any Confidential Information of the Disclosing Party for the purposes of performing its obligations or exercising its rights under this Agreement; and

(c) the Receiving Party may disclose Confidential Information of the Disclosing Party to: (i) such Receiving Party's Affiliates, licensees and sublicensees; and (ii) employees, directors, agents, contractors, consultants and advisers of the Receiving Party and its Affiliates and sublicensees, in each case only to the extent reasonably necessary for the purposes of, and for those matters undertaken pursuant to, this Agreement; provided that such Persons are bound by legally enforceable obligations to maintain the confidentiality of the Disclosing Party's Confidential Information in a manner consistent with the confidentiality provisions of this Agreement; provided that each Party shall remain responsible for any failure by its Affiliates, licensees and sublicensees, and its and its Affiliates' and licensees' and sublicensees' respective employees, directors, agents, consultants, advisors, and contractors, to treat such Confidential Information as required under this Section 9.1 (as if such Affiliates, licensees, sublicensees employees, directors, agents, consultants, advisors and contractors were Parties directly bound to the requirements of this Section 9.1).

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

9.2 Exceptions. The foregoing obligations as to particular Confidential Information of a Disclosing Party shall not apply to the extent that the Receiving Party can demonstrate through competent evidence that such Confidential Information:

(a) is known by the Receiving Party or any of its Affiliates at the time of its receipt without an obligation of confidentiality, and not through a prior disclosure by or on behalf of the Disclosing Party, as documented by the Receiving Party's business records;

(b) is in the public domain before its receipt from the Disclosing Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party or any of its Affiliates or disclosees in breach of this Agreement;

(d) is subsequently disclosed to the Receiving Party or any of its Affiliates without obligation of confidentiality by a Third Party who may rightfully do so and is not under an obligation of confidentiality to the Disclosing Party; or

(e) is developed by the Receiving Party or any of its Affiliates independently and without use of or reference to any Confidential Information received from the Disclosing Party, as documented by the Receiving Party's business records.

No combination of features or disclosures shall be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the Receiving Party, unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the Receiving Party.

9.3 Authorized Disclosures. Notwithstanding the obligations set forth in Sections 9.1 and 9.5, a Party may disclose the other Party's Confidential Information (including this Agreement and the terms herein) to the extent such disclosure is reasonably necessary in the following situations:

(a) (i) filing or prosecuting DiaMedica Patents as contemplated by this Agreement; (ii) regulatory filings and other filings with Governmental Authorities (including Regulatory Authorities), as necessary for the Development or Commercialization of a Licensed Product; (iii) prosecuting or defending litigation as contemplated by Sections 11.1-11.5 (Indemnification) or Section 15.5 (Governing Law); or (iv) subject to Section 9.6, complying with Applicable Laws, including regulations promulgated by securities exchanges;

(b) disclosure to a Party's Affiliates, directors, employees, agents, independent contractors, licensors, attorneys, independent accountants or financial advisors on a need-to-know basis for the sole purpose of performance of this Agreement or providing advice with respect to this Agreement; provided, that in each such case on the condition that such disclosee is bound by confidentiality and non-use obligations no less restrictive than those contained in this agreement;

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(c) disclosure of this Agreement, its terms and the status and results of Development or Commercialization activities to actual or *bona fide* potential investors, acquirors, (sub)licensees and other financial or commercial partners solely for the purpose of evaluating or carrying out an actual or potential investment, acquisition or collaboration; provided, that in each such case on the condition that such Persons are bound by confidentiality and non-use obligations no less restrictive than those contained in this agreement;

(d) such disclosure is required by judicial or administrative process or stock exchange, provided that in such event such Party shall promptly notify the other Party in writing of such required disclosure and provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed by judicial or administrative process shall remain otherwise subject to the confidentiality and non-use provisions of this Article 9, and the Party disclosing Confidential Information pursuant to Applicable Laws or court order shall take all steps reasonably necessary, including seeking of confidential treatment or a protective order, to ensure the continued confidential treatment of such Confidential Information; and

(e) disclosure pursuant to Section 9.5 and 9.6.

Notwithstanding the foregoing, in the event a Party is required or permitted to make a disclosure of the other Party's Confidential Information pursuant to Sections 9.3(a)(i), 9.3(a)(iii) or 9.3(a)(iv), it will, except where impracticable, give reasonable advance notice to the other Party of such disclosure and use reasonable efforts to secure confidential treatment of such information. In any event, each Party agrees to take all reasonable action to avoid disclosure of Confidential Information of the other Party hereunder.

Nothing in Sections 9.1 or 9.3 shall limit either Party in any way from disclosing to any governmental Third Party such Party's U.S. or foreign income tax treatment and the U.S. or foreign income tax structure of the transactions relating to such Party that are based on or derived from this Agreement, as well as all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or tax structure, except to the extent that nondisclosure of such matters is reasonably necessary in order to comply with applicable securities laws.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

9.4 Publications. Ahon shall not publicly present or publish results of studies carried out under this Agreement (each such presentation or publication, a **"Publication**") without providing written notice of, a copy of such proposed Publication, and the opportunity for prior review to DiaMedica as set forth in this Section 9.4, except to the extent otherwise required by Applicable Laws, in which case Section 9.6 shall apply with respect to disclosures required by the SEC or other Governmental Authorities or stock exchanges and/or for regulatory filings. Ahon shall provide DiaMedica the opportunity to review any proposed Publication at least thirty (30) days prior to the earlier of its presentation or intended submission for publication; provided, that in the case of abstracts, this period shall be ten (10) days and in the case of posters and oral presentations, fifteen (15) days (such applicable period, the "***Review Period***"). Ahon agrees that it will not submit or present any Publication until (i) DiaMedica has provided written comments, during such Review Period, on the material in such Publication or (ii) until the applicable Review Period has elapsed without written comments from DiaMedica, in which case Ahon may proceed and the Publication will be considered approved in its entirety. If Ahon receives written comments from DiaMedica during the applicable Review Period, it shall consider the comments of DiaMedica in good faith, but will retain the sole authority to submit the manuscript for Publication; provided that Ahon agrees to (i) delete any Confidential Information of DiaMedica that is specifically identified for deletion in DiaMedica's written comments during the Review Period, and (ii) to delay such Publication for a period of up to an additional thirty (30) days after the end of the applicable Review Period to enable DiaMedica to draft and file a Patent with respect to any subject matter to be made public in such Publication and to which DiaMedica has the applicable intellectual property rights to file such Patent. Ahon shall provide DiaMedica a copy of the Publication at the time of the submission or presentation. Ahon agrees to acknowledge the contributions of DiaMedica, and the employees of DiaMedica, in all Publications as scientifically appropriate. This Section 9.4 shall not limit, and shall be subject to, Section 9.5.

9.5 Publication and Listing of Clinical Trials. Each Party agrees to comply, with respect to the Licensed Protein and Licensed Products and to the extent applicable to its activities conducted under this Agreement, with (a) the Pharmaceutical Research and Manufacturers of America (PhRMA) Guidelines on the listing of Clinical Trials and the Publication of Clinical Trial results or the equivalent guidelines in the Territory, and (b) any applicable court order, stipulations, consent agreements and settlements entered into by such Party.

9.6 Publicity; Use of Names.

(a) The Parties agree that the material terms of this Agreement are the Confidential Information of both Parties, subject to the special authorized disclosure provisions set forth in Section 9.3 and this Section 9.6. The Parties have agreed on language of a unilateral or joint press release announcing this Agreement, which is attached hereto as **Exhibit D**, to be issued by the Parties on such date and time as may be agreed by the Parties. No other disclosure of the existence or the terms of this Agreement may be made by either Party or its Affiliates except as provided in Section 9.3 and this Section 9.6. Each Party shall not use the name, trademark, trade name or logo of the other Party, its Affiliates or their respective employees in any publicity, promotion, news release or disclosure relating to this Agreement or its subject matter, except as provided in this Section 9.6 or with the prior express written permission of DiaMedica, except as may be required by Applicable Laws. Ahon will use DiaMedica's corporate name in all publicity relating to this Agreement, including the initial press release and all subsequent press releases, and disclosures of key results and clinical data from each Clinical Trial conducted under the this Agreement as set forth in Section 9.6(b), and accompanied explanatory text such as "Licensed from DiaMedica Therapeutics, Inc."; provided, that Ahon will use DiaMedica's corporate name only in such manner that the distinctiveness, reputation, and validity of any trademarks and corporate/trade names of DiaMedica shall not be impaired.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) Notwithstanding Section 9.6(a), the Parties have the following express rights to make public disclosures regarding the existence and term of this Agreement: (i) DiaMedica has the right to publicly disclose (A) the achievement of milestones under this Agreement; (B) the amount of related milestone payments; and (C) the commencement, completion, material data and key results of Clinical Trials conducted under this Agreement; and (ii) Ahon has the right to publicly present and disclose, and will use Commercially Reasonable Efforts to present and disclose, the achievement of milestones under this Agreement or key results and clinical data from each Clinical Trial conducted under this Agreement. After a Publication has been made available to the public, each Party may post such Publication or a link to it on its corporate web site without the prior written consent of the other Party.

(c) A Party may disclose this Agreement in securities filings with the Securities and Exchange Commission (the "**SEC**") or equivalent foreign agency to the extent required by Applicable Laws. In such event, the Party seeking such disclosure shall prepare a draft confidential treatment request and proposed redacted version of this Agreement to request confidential treatment for this Agreement, and the other Party agrees to promptly (and in any event, no more than three (3) Business Days after receipt of such confidential treatment request and proposed redactions) give its input in a reasonable manner in order to allow the Party seeking disclosure to file its request within the time lines prescribed by Applicable Laws. The Party seeking such disclosure shall reasonably consider any comments thereto provided by the other Party within such three (3) Business Day period.

(d) Each Party acknowledges that the other Party may be legally required to make public disclosures (including in filings with Governmental Authorities) of certain terms of or material developments or material information generated under this Agreement (including the Supply Agreement) and agrees that each Party may make such disclosures as required by Applicable Laws, provided that the Party seeking such disclosure (i) receives advice from counsel that it is legally required to make such public disclosure and (ii) if practicable and permitted by Applicable Laws, first provides the other Party a copy of the proposed disclosure, and reasonably considers any comments thereto provided by the other Party within three (3) Business Days after the receipt of such proposed disclosure.

(e) Other than the press release set forth in **Exhibit D**, and the public disclosures permitted by Section 9.6(b), the Parties agree that the portions of any other news release or other public announcement relating to this Agreement or the performance hereunder that would disclose information other than that already in the public domain, shall first be reviewed and approved by both Parties (with such approval not to be unreasonably withheld or delayed), except as required by Applicable Laws.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(f) The Parties agree that after a disclosure pursuant to Section 9.6(d) or issuance of a press release (including the initial press release) or other public announcement pursuant to Section 9.6(a) that has been reviewed and approved by the other Party, the disclosing Party may make subsequent public disclosures reiterating such information without having to obtain the other Party's prior consent and approval.

(g) DiaMedica shall have the right to use Ahon's name and logo in presentations, its website, and corporate overviews to describe the collaboration relationship, as well as in taglines of press releases issued pursuant to this Section 9.6; provided, that DiaMedica will use Ahon's corporate name only in a manner that the distinctiveness and reputation of Ahon shall not be impaired. Ahon shall have the right to, and shall use DiaMedica's name, in such manner; provided, that Ahon will use DiaMedica's corporate name only in such manner that the distinctiveness, reputation, and validity of any trademarks and corporate/trade names of DiaMedica shall not be impaired.

9.7 Attorney-Client Privilege. Neither Party is waiving, nor shall be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges or the like as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party, regardless of whether the Disclosing Party has asserted, such privileges and protections. The Parties: (a) share a common legal and commercial interest in such disclosure that is subject to such privileges and protections; (b) are or may become joint defendants in proceedings to which the information covered by such protections and privileges relates; (c) intend that such privileges and protections remain intact should either Party become subject to any actual or threatened proceeding to which the Disclosing Party's Confidential Information covered by such protections and privileges relates; and (d) intend that after the Execution Date both the Receiving Party and the Disclosing Party shall have the right to assert such protections and privileges. Notwithstanding the foregoing, nothing in this Section 9.7 shall apply with respect to a dispute between the Parties (including their respective Affiliates).

ARTICLE 10
REPRESENTATIONS, WARRANTIES, AND COVENANTS

10.1 Representations, Warranties of Each Party. Each Party represents and warrants to the other Party as of the Effective Date that:

(a) it has the full right, power and authority to enter into this Agreement, to perform its obligations hereunder; and

(b) this Agreement has been duly executed by it and is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material Applicable Laws or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

10.2 Representations, Warranties, and Covenants of DiaMedica. DiaMedica represents, warrants and covenants to Ahon that as of the Effective Date:

(a) it has the right under the DiaMedica IP to grant the licenses to Ahon as purported to be granted under Section 2.1 of this Agreement, and it has not granted any license or other right or interest under the DiaMedica IP that is inconsistent with the license granted to Ahon under Section 2.1.

(b) it has not received any written notice from any Third Party asserting or alleging that the Development of the Licensed Protein or Licensed Product prior to the Effective Date infringed or misappropriated the intellectual property rights of such Third Party;

(c) to DiaMedica' knowledge, the Development, manufacture and Commercialization of the Licensed Product can be carried out in the manner reasonably contemplated as of the Effective Date without infringing or misappropriating the intellectual property rights of any Third Party; and

(d) there is no pending or, to DiaMedica' knowledge, no threatened (in writing), adverse actions, suits or proceedings against DiaMedica involving the DiaMedica IP or Licensed Product.

10.3 Representations, Warranties, and Covenants of Ahon . Ahon represents, warrants, and covenants to DiaMedica that as of the Effective Date:

(a) there are no legal claims, judgments or settlements against or owed by Ahon or any of its Affiliates, or pending or, to Ahon's actual knowledge, threatened legal claims or litigation, in each case, relating to antitrust, anti-competition, anti-bribery, intellectual property infringement or corruption violations;

(b) Ahon and its Affiliates are not, to Ahon's actual knowledge, and have not been, debarred or disqualified by any Regulatory Authority;

(c) Ahon has sufficient financial wherewithal to (i) perform all of its obligations pursuant to this Agreement, and (ii) meet all of its obligations that come due in the ordinary course of business; Ahon has, or shall obtain, all necessary registrations, licenses and permits to allow it to convert sufficient fund into Dollars for payments to DiaMedica under this Agreement in a timely manner to meet payment deadlines set forth herein.

(d) Ahon has, or shall obtain, sufficient technical, clinical, and regulatory expertise to reasonably perform all of its obligations pursuant to this Agreement, including its obligations relating to Development Commercialization and obtaining Regulatory Approvals in the Territory; and

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(e) in the course of performing its obligations or exercising its rights under this Agreement, Ahon shall comply with all Applicable Laws, in including as applicable, GCP and GLP standards, and shall not employ or engage any party who has been debarred by any Regulatory Authority, or is the subject of debarment proceedings by a Regulatory Authority.

10.4 NO OTHER WARRANTIES. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, (A) NO OTHER REPRESENTATION, CONDITION OR WARRANTY WHATSOEVER IS MADE OR GIVEN BY OR ON BEHALF OF DIAMEDICA OR AHON; AND (B) ALL OTHER CONDITIONS AND WARRANTIES WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE ARE HEREBY EXPRESSLY EXCLUDED, INCLUDING ANY CONDITIONS AND WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

10.5 Compliance with Anti-Corruption Laws.

(a) Notwithstanding anything to the contrary in the Agreement, each party hereby agrees that it shall not, in the performance of this Agreement, perform any actions that are prohibited by local and other anti-corruption laws ("***Anti-Corruption Laws***") that may be applicable to one or both Parties to this Agreement.

ARTICLE 11
INDEMNIFICATION

11.1 By Ahon . Ahon shall indemnify and hold harmless DiaMedica, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "***DiaMedica Indemnitee(s)***") from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred in connection with any claims, demands, actions or other proceedings by any Third Party (individually and collectively, "***Losses***") in the Territory to the extent arising from (a) the Development and Commercialization of the Licensed Protein and Licensed Products by Ahon or any of its Affiliates, sublicensees or subcontractors, including product liability claims, (b) the negligence, illegal conduct or willful misconduct, or (c) Ahon's breach of any of its representations or warranties and covenants made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (c) above except to the extent such Losses arise out of an DiaMedica Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

11.2 By DiaMedica. DiaMedica shall indemnify and hold harmless Ahon, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "***Ahon Indemnitee(s)***") from and against all Losses to the extent arising from (a) the negligence, illegal conduct or willful misconduct of, or (b) DiaMedica's breach of any of its representations or warranties and covenants made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (b) above, except to the extent such Losses arise out of any of a Ahon Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

11.3 Indemnification Procedure. If either Party is seeking indemnification under Sections 11.1 or 11.2 (the "***Indemnified Party***"), it shall inform the other Party (the "***Indemnifying Party***") of the claim giving rise to the obligation to indemnify pursuant to such Section within ten (10) Business Days after receiving notice of the claim (it being understood and agreed, however, that the failure or delay by an Indemnified Party to give such notice of a claim shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been prejudiced as a result of such failure or delay to give notice). The Indemnifying Party shall have the right to assume the defense of any such claim for which it is obligated to indemnify the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party and the Indemnifying Party's insurer as the Indemnifying Party may reasonably request, and at the Indemnifying Party's cost and expense. The Indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any claim that has been assumed by the Indemnifying Party. Neither Party shall have the obligation to indemnify the other Party in connection with any settlement made without the Indemnifying Party's prior written consent, which consent shall not be unreasonably withheld or delayed. If the Parties cannot agree as to the application of Section 11.1 or 11.2 as to any claim, pending resolution of the dispute pursuant to Article 14, the Parties may conduct separate defenses of such claims, with each Party retaining the right to claim indemnification from the other Party in accordance with Section 11.1 or 11.2 upon resolution of the underlying claim.

11.4 Mitigation of Loss. Each Indemnified Party shall take and shall procure that itself and its Affiliates and subcontractors take all such reasonable steps and action as are reasonably necessary or as the Indemnifying Party may reasonably require in order to mitigate any claims (or potential losses or damages) under this Article 11. Nothing in this Agreement shall or shall be deemed to relieve any Party of any common law or other duty to mitigate any losses incurred by it.

11.5 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES (INCLUDING LOST ROYALTIES) ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 11.5 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 11.1 OR 11.2, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF ITS OBLIGATIONS HEREUNDER RELATING TO CONFIDENTIALITY OR A PARTY'S BREACH OF ITS OBLIGATIONS UNDER SECTION 2.8.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

11.6 Insurance. During the Term of this Agreement and for a period of five (5) years after the expiration or early termination of this Agreement, each party shall purchase and maintain insurance at its own expense with respect to its potential liability under this Agreement. Such insurance shall be in reasonable amounts to meet its indemnity obligations under this Agreement and on reasonable terms in the circumstances in accordance with common practice and applicable Laws regarding the development and sales of the Licensed Product or Licensed Protein in the Territory. If either party assigns any of its rights or subcontracts any of its obligations hereunder, the assigning or subcontracting party shall ensure that such assignee or subcontractor is covered under the insurance policies required under this Section 11.6.

ARTICLE 12
INTELLECTUAL PROPERTY

12.1 Inventions.

(a) Ownership. As between the Parties, (a) DiaMedica shall solely own all DiaMedica IP; (b) the Parties shall jointly own all Collaboration IP and Other Joint IP; and (c) Ahon shall retain ownership of all Ahon IP. Except to the extent either Party is restricted by the licenses granted to the other Party under this Agreement, each Party shall be entitled to practice, license, assign and otherwise exploit the Collaboration IP and Other Joint IP without the duty of accounting or seeking consent from the other Party. For clarity, each Party's interest in Collaboration IP is subject to the licenses granted by such Party to the other Party under this Agreement.

(b) Disclosure. Each Party shall promptly disclose to the other Party all Inventions, including all invention disclosure or other similar documents submitted to such party by its or its Affiliates' employees, agents, or independent contractors relating to such Inventions, and shall also promptly respond to reasonable requests from the other Party for additional information relating to such Inventions.

(c) Assignment. To the extent any Collaboration IP is made solely by Ahon, Ahon shall and hereby does assign to DiaMedica one-half undivided right, title and interest in and to all such Collaboration IP. Ahon shall take (and cause its Affiliates, sublicensees and their employees, agents, and contractors to take) such further actions reasonably requested by DiaMedica to evidence such assignment and to obtain patent and other intellectual property rights protection for the Collaboration IP. Ahon shall obligate its Affiliates, sublicensees and contractors to assign all Collaboration IP to Ahon so that Ahon can comply with its obligations under this Section 12.1, and Ahon shall promptly obtain such assignment. For the sake of clarity, Ahon shall be entitled to use such Collaboration IP in the Territory at no more costs required by DiaMedica. Ahon shall be responsible for any cost or expense arising from or in connection with the regulatory application for (holding) such Collaboration IP in the Territory; while DiaMedica shall be responsible for any cost or expense arising from or in connection with the regulatory application for (holding) such Collaboration IP out of the Territory.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

12.2 Patent Prosecution.

(a) DiaMedica Patents.

(i) As between the Parties, DiaMedica shall have the first right to control the Patent Prosecution of all DiaMedica Patents throughout the world, at DiaMedica's own cost and expense.

(ii) DiaMedica shall consult with Ahon and keep Ahon reasonably informed of the Patent Prosecution of the DiaMedica Patents in the Territory and shall provide Ahon with all material correspondence received from any patent authority in the Territory in connection therewith. In addition, DiaMedica shall provide Ahon with drafts of all proposed material filings and correspondence to any patent authority in the Territory in connection with the Patent Prosecution of the DiaMedica Patents for Ahon's review and comment prior to the submission of such proposed filings and correspondences.

(iii) DiaMedica shall give Ahon a prior notice of any decision to cease Patent Prosecution of any DiaMedica Patents in the Territory. DiaMedica shall provide such notice at least thirty (30) days prior to any filing or payment due date, or any other due date that requires action, in connection with such DiaMedica Patent in the Territory. In such event, DiaMedica shall permit Ahon, at its discretion and at its sole expense, to continue the Patent Prosecution of such DiaMedica Patent in the Territory. Ahon's Patent Prosecution of such DiaMedica Patent shall not change the Parties' respective rights and obligations under this Agreement with respect to such DiaMedica Patent other than those expressly set forth in this Section 12.2(a)(iii).

(b) Ahon Patents. As between the Parties, Ahon shall have the sole right to control the Patent Prosecution of all Ahon Patents throughout the world, at Ahon's own cost and expense.

(c) Collaboration Patents and Other Joint Patents. The Parties shall discuss and agree on the Patent Prosecution of Patents in Collaboration IP ("**Collaboration Patents**") and the Other Joint IP, based in part on the Parties' relative contribution to the applicable Inventions.

(d) Cooperation. Each Party shall provide the other Party all reasonable assistance and cooperation in the Patent Prosecution efforts under this Section 12.2, including providing any necessary powers of attorney and executing any other required documents or instruments for such prosecution.

12.3 Patent Enforcement.

(a) Notice. Each Party shall notify the other within thirty (30) business days of becoming aware of any alleged or threatened infringement by a Third Party of any of the DiaMedica Patents, Ahon Patents or Collaboration Patents in the Field in the Territory, which infringement adversely affects or is expected to adversely affect any Licensed Product in the Field in the Territory, and any related declaratory judgment, opposition, or similar action alleging the invalidity, unenforceability or non-infringement of any DiaMedica Patents, Ahon Patents or Collaboration Patents in the Field in the Territory (collectively "***Product Infringement***").

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) Enforcement Right. Ahon shall have the first right to bring and control any legal action to enforce DiaMedica Patents, Ahon Patents or Collaboration Patents against any Product Infringement in the Field in the Territory at its own expense as it reasonably determines appropriate, and DiaMedica shall have the right to be represented in such action by counsel of its choice. If Ahon does not to bring such legal action within sixty (60) days after the notice provided pursuant to Section 12.3(a), DiaMedica shall have the right to bring and control any legal action in connection with such Product Infringement in the Territory at its own expense as it reasonably determines appropriate.

(c) Cooperation. At the request of the Party bringing an action related to Product Infringement, the other Party shall provide reasonable assistance in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action if required by Applicable Law to pursue such action, at each such Party's sole cost and expense.

(d) Recoveries. Any recoveries resulting from enforcement action relating to a claim of Product Infringement in the Territory shall be first applied against payment of each Party's costs and expenses in connection therewith. Any such recoveries in excess of such costs and expenses shall be retained by the enforcing Party, provided that if Ahon is the enforcing Party, then such excess recoveries shall be deemed Net Sales of the Licensed Product and subject to royalty payment under Section 8.4.

12.4 Infringement of Third Party Rights.

(a) Notice. If any Licensed Product used or sold by Ahon, its Affiliates or sublicensees becomes the subject of a Third Party's claim or assertion of infringement of a Patent or other rights in the Territory that is owned or controlled by such Third Party, Ahon shall promptly notify DiaMedica within ten (10) days after receipt of such claim or assertion and such notice shall include a copy of any summons or complaint (or the equivalent thereof) received regarding the foregoing. Thereafter, the Parties shall promptly meet to consider the claim or assertion and the appropriate course of action and may, if appropriate, agree on and enter into a "common interest agreement" wherein the Parties agree to their shared, mutual interest in the outcome of such potential dispute. The Parties shall assert and not waive the joint defense privilege with respect to all communications between the Parties in connection with the defense of such claim or assertion.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) Defense. Ahon shall be solely responsible for the defense of any such infringement claims brought against Ahon, at Ahon's cost and expense; provided, however, that the provisions of Section 12.3 shall govern the right of Ahon to assert a counterclaim of infringement of any DiaMedica Patents; and provided further that Ahon shall not agree to any settlement, consent to judgement or other voluntary final disposition in connection with such defense action without DiaMedica's consent (not to be unreasonably withheld or delayed). Ahon shall keep DiaMedica informed on the status of such defense action, and DiaMedica shall have the right, but not the obligation, to participate and be separately represented in such defense action at its sole option and at its own expense.

12.5 Patents Licensed From Third Parties. Each Party's rights under this Article 12 with respect to the prosecution and enforcement of any DiaMedica Patent that is licensed by DiaMedica from a Third Party shall be subject to the rights of such Third Party to prosecute and enforce such Patent.

12.6 Product Trademarks. Subject to Section 7.4, Ahon shall have the right to brand the Licensed Products in the Territory using trademarks, logos, and trade names it determines appropriate for the Licensed Products, which may vary by Region or within a Region (the "***Product Marks***"); provided however that Ahon shall provide DiaMedica with a reasonable opportunity to review and provide comments on each proposed Product Mark, shall give due consideration to DiaMedica's comments before selecting any Product Mark, and shall not use any trademarks or house marks of DiaMedica (including DiaMedica's corporate name) or any trademark confusingly similar thereto without DiaMedica's prior written consent (not to be unreasonably withheld or delayed). Ahon shall own all rights in the Product Marks in the Territory and shall register and maintain the Product Marks in the Territory that it determines reasonably necessary, at Ahon's cost and expense.

12.7 Patent Marking. Ahon shall mark all Licensed Product in accordance with the applicable patent marking laws, and shall require all of its Affiliates and sublicensees to do the same. To the extent permitted by Applicable Law, Ahon shall indicate on the product packaging, advertisement and promotional materials that the Licensed Product is in-licensed from DiaMedica Therapeutics, Inc.

ARTICLE 13
TERMS AND TERMINATION

13.1 Term. This Agreement shall be effective as of the Effective Date, and shall continue indefinitely until terminated pursuant to Section 13.2 (the "**Term**").

13.2 Termination

(a) Termination by Ahon for Convenience. At any time, Ahon may terminate this Agreement by providing written notice of termination to DiaMedica, which notice includes an effective date of termination at least one hundred twenty (120) days after the date of the notice.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) Termination for Material Breach. This Agreement may be terminated in its entirety at any time during the Term upon written notice by either Party if the other Party materially breaches this Agreement and, if such breach is curable, such breach has not been cured within ninety (90) days (or thirty (30) days for failure to make payment) after notice requesting cure of such breach.

(c) Termination for Patent Challenge. Except to the extent the following is unenforceable under the laws of a particular jurisdiction, DiaMedica may terminate this Agreement in its entirety by a written termination notice to Ahon, if (i) Ahon or its Affiliates or sublicensees, individually or in association with any other Person or Entity, commences a legal action challenging the validity, enforceability or scope of any DiaMedica Patents anywhere in the world and (ii) such patent challenge has not been withdrawn within thirty (30) days after receipt of DiaMedica's notice requesting withdrawal of such patent challenge.

(d) Termination for Insolvency. Each Party shall have the right to terminate this Agreement upon delivery of written notice to the other Party in the event that (a) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (b) such other Party is served with an involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed within ninety (90) days of its filing, or (c) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

(e) Other Termination. In addition, the Parties shall have the right to terminate this Agreement pursuant to Sections 4.1(e) and 8.4(b)(ii).

(f) Termination for Failure to Obtain CTA Approval by NMPA. If Ahon has not paid DiaMedica $[***] for CTA Approval by NMPA milestone, (Section 8.2(a) milestone #1) by [***], DiaMedica shall have the right to terminate this Agreement immediately upon written notice to Ahon, a (30) days of period shall be set up for both parties to discuss the reason in good faith. Nevertheless, if such payment hasn't been made by Ahon to DiaMedica after this period, any party shall have the right to terminate this Agreement immediately upon written notice to the other parity.

(g) Full Force and Effect During Notice Period. This Agreement shall remain in full force and effect until the expiration of the applicable termination notice period. For clarity, if any milestone event is achieved during the termination notice period, then the corresponding milestone payment is accrued and Ahon shall remain responsible for the payment of such milestone payment even if the due date of such milestone payment may come after the effective date of the termination.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

13.3 Effect of Termination.

(a) Except for the termination by Ahon for DiaMedica's uncured material breach under clause 13.2(a) and for DiaMedica's insolvency under clause 13.2(d), upon the termination of this Agreement for any other reason under clause 13.2:

(i) License. All licenses and other rights granted by DiaMedica to Ahon under the DiaMedica IP and the Collaboration IP shall terminate and all sublicenses granted by Ahon shall continue. All licenses and other rights granted by Ahon to DiaMedica under the Ahon IP and Collaboration IP shall continue and all sublicenses granted by DiaMedica shall also continue. In addition, Ahon hereby grants to DiaMedica, effective upon the termination of this Agreement, an exclusive, perpetual, irrevocable, and sublicenseable license under the Ahon IP and Ahon's interest in Collaboration IP to research, develop, make, have made, use, sell, offer for sale, import and otherwise commercialize the Licensed Protein and Licensed Products in the Territory, which license shall be subject to a reasonable royalty paid by DiaMedica to Ahon (not to exceed 2%) to be negotiated and agreed by the Parties in good faith.

(ii) Regulatory Submissions. Upon DiaMedica's written request, Ahon shall provide DiaMedica with copies of all Regulatory Submissions for Licensed Products. Ahon shall either assign to DiaMedica or provide DiaMedica with a right of reference with respect to such Regulatory Submission, as DiaMedica determines at its reasonable discretion. In addition, upon DiaMedica's written request, Ahon shall provide to DiaMedica copies of all material related documentation, including material non-clinical, preclinical and clinical data that are held by or reasonably available to Ahon, its Affiliates or sublicensees. The Parties shall discuss and establish appropriate arrangements with respect to safety data exchange, provided that DiaMedica will assume all safety and safety database activities no later than six (6) months after termination.

(iii) Trademarks. Ahon shall transfer and assign to DiaMedica, all Product Marks relating to any Licensed Product and any applications therefor (excluding any such marks that include, in whole or part, any corporate name or logos of Ahon or its Affiliates or sublicensees). Ahon shall also transfer to DiaMedica any in-process applications for generic names for any Licensed Product.

(iv) Inventory. At DiaMedica's election and written request, within thirty (30) days after termination of this Agreement, Ahon shall transfer to DiaMedica or its designee all inventory of Licensed Protein and Licensed Products (including all final product, bulk drug substance, intermediates, works-in-process, formulation materials, reference standards, drug product clinical reserve samples, packaged retention samples, and the like) then in the possession or control of Ahon, its Affiliates or sublicensees; provided that DiaMedica shall pay Ahon a price equal to amount paid by Ahon for such transferred Licensed Protein and Licensed Products. If DiaMedica fails to give the written request, Ahon has the right to continue to sell the inventory for a period no more than nine (9) months after termination, provided that Ahon shall continue to pay milestones and royalties due under Article 8. At the end of the nine (9) month period Ahon, at its own expense, will dispose of any remaining inventory in a manner compliant with the requirements of the applicable Regulatory Authority(ies).

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(v) Wind Down and Transition. Ahon shall be responsible for the wind-down of Ahon's, its Affiliates and sublicensee's Development and Commercialization activities for the Licensed Products. Ahon shall, and shall cause its Affiliates and sublicensees to, reasonably cooperate with DiaMedica to facilitate orderly transition of the Development and Commercialization of the Licensed Products to DiaMedica or its designee, including (i) assigning or amending as appropriate, upon request of DiaMedica and to the extent that is accepted by the Third Party, any agreements or arrangements with Third Party vendors (including distributors) to Develop, promote, distribute, sell or otherwise Commercialize the Licensed Products or, to the extent any such Third Party agreement or arrangement is not assignable to DiaMedica, reasonably cooperating with DiaMedica to arrange to continue to provide such services for a reasonable time which however shall not exceed nine (9) months after termination; and (ii) to the extent that Ahon or its Affiliate is performing any activities described above in (i), reasonably cooperating with Ahon to transfer such activities to Ahon and continuing to perform such activities on Ahon's behalf for a reasonable time after termination until such transfer is completed.

(vi) Ongoing Clinical Trial. If at the time of such termination, Ahon or its Affiliates are conducting any Clinical Trials for a Licensed Product, then, at DiaMedica's election on a trial-by-trial basis: (i) Ahon shall fully cooperate, and shall cause its Affiliates to fully cooperate, with DiaMedica to transfer the conduct of all such Clinical Trials to DiaMedica effective as of six (6) months after the termination effective date, and DiaMedica shall assume any and all liability for the conduct of such transferred Clinical Trials after the effective date of such transfer (except to the extent arising prior to the transfer date or from any negligent act or omission by Ahon, its Affiliates or their respective employees, agents and contractors); or (ii) Ahon shall orderly wind-down the conduct of any such Clinical Trial which is not going to be assumed by DiaMedica under clause (i) above.

(vii) Return of Confidential Information. At Disclosing Party's election, the Receiving Party shall return (at Disclosing Party's expense) or destroy (at Receiving Party's expense), all tangible materials comprising, bearing or containing any Confidential Information of the Disclosing Party that are in the Receiving Party's or its Affiliates' or sublicensees' possession or control, and provide written certification of such destruction; *provided* that the Receiving Party may retain one copy of such Confidential Information for its legal archives, and *provided further* that the Receiving Party shall not be required to destroy electronic files containing Confidential Information that are made in the ordinary course of its business information back-up procedures pursuant to its electronic record retention and destruction practices that apply to its own general electronic files and information; and provided further that DiaMedica shall have the right to retain and use Ahon's Confidential Information to the extent necessary or reasonably useful for it to practice the license granted by Ahon to DiaMedica that survives the termination of this Agreement.

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(viii) Cost and Expense. Ahon shall perform such transition assistance at no cost to DiaMedica.

(b) For the termination by Ahon for DiaMedica's uncured material breach under clause 13.2(b) and for DiaMedica's insolvency under clause 13.2(d), upon such termination,

(i) Sections 13.3(a)(i) to (vii) (but not Section 13.3(a)(viii) shall apply; and

(ii) If Ahon conducts relevant transition assistance to DiaMedica pursuant to Sections 13.3(a)(v), then such cost and expense shall all be reasonable borne by DiaMedica.

(c) Without limiting Section 13.5, the effects of termination in Section 13.3 shall not be deemed as a waiver of the right of indemnification set forth in Article 11.

13.4 Termination Press Releases. In the event of termination of this Agreement for any reason and subject to the provisions of Section 9.3, the Parties shall cooperate in good faith to coordinate at least an unilateral public disclosure of such termination and the reasons therefor, and shall not, except to the extent required by Applicable Laws, disclose such information without the prior approval of the other Party, which approval shall not be unreasonably withheld or delayed. The principles to be observed in such disclosures shall be accuracy, compliance with Applicable Laws and regulatory guidance documents, and reasonable sensitivity to potential negative investor reaction to such news.

13.5 Survival. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Without limiting the foregoing, the provisions of Articles 1, 9, 11, 14, and 15, and Sections 5.7, 8.7, 8.9, 13.3, 13.4, 13.5 shall survive the expiration or termination of this Agreement for five (5) years after the expiration or termination.

13.6 Termination Not Sole Remedy. Termination is not the sole remedy under this Agreement and, whether or not termination is effected and notwithstanding anything contained in this Agreement to the contrary, all other remedies shall remain available except as agreed to otherwise herein.

ARTICLE 14
DISPUTE RESOLUTION

14.1 General. The Parties recognize that a dispute may arise relating to this Agreement (a "***Dispute***"). Any dispute, including disputes that may involve the Affiliates of any Party, shall be resolved in accordance with this Article 14.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

14.2 Negotiation; Escalation. The Parties shall negotiate in good faith and use reasonable efforts to settle any dispute under this Agreement. Any claim, dispute, or controversy as to the breach, enforcement, interpretation or validity of this Agreement shall be referred to the Chief Executive Officer of DiaMedica and the Chief Executive Officer of Ahon (the "***Executive Officers***") for attempted resolution. In the event the Executive Officers are unable to resolve such dispute within sixty (60) days of such dispute being referred to them, then, upon the written request of either Party to the other Party, the dispute shall be subject to arbitration in accordance with Section 14.3.

14.3 Arbitration.

(a) In the event of a Dispute that cannot be resolved between the Parties or the Executive Officers as set forth in Section 14.2, either Party shall be free to institute binding arbitration with respect to such dispute in accordance with this Section 14.3 upon written notice to the other Party (an "***Arbitration Notice***") and seek remedies as may be available. Any dispute unresolved under this Section 14.3 shall be settled by binding arbitration administered by Singapore International Arbitration Center (***"SIAC"***) (or any successor entity thereto) and in accordance with the SIAC's arbitration rules and procedures then in effect (the "***Rules***"), except to the extent such rules are inconsistent with this Section 14.3, in which case, this Section 14.3 shall control. The proceedings and decisions of the arbitrator shall be confidential, final and binding on the Parties, and judgment upon the award of such arbitrator may be entered in any court having jurisdiction thereof.

(b) Upon receipt of an Arbitration Notice by a Party, the applicable dispute shall be resolved by final and binding arbitration before a panel of three (3) arbitrators (the "***Arbitrators***"), with each arbitrator having not less than fifteen (15) years of experience in the biotechnology or pharmaceutical industry and subject matter expertise with respect to the matter subject to arbitration. Any Arbitrator chosen hereunder shall have educational training and industry experience sufficient to demonstrate a reasonable level of scientific, financial, medical and industry knowledge relevant to the particular dispute. Each Party shall promptly select one (1) Arbitrator each, which selections shall in no event be made later than thirty (30) days after receipt of the Arbitration Notice. The third Arbitrator shall be chosen promptly by mutual agreement of the Arbitrators chosen by the Parties, but in no event later than thirty (30) days after the date that the last of such Arbitrators was appointed.

(c) The Arbitrators' decision and award shall be made within nine (9) months of the filing of the arbitration demand, and the Arbitrators shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended by agreement of the Parties or by the Arbitrators. The Arbitrators shall be authorized to award compensatory damages, but shall not be authorized to reform, modify or materially change this Agreement. The Arbitrators shall, within fifteen (15) days after the conclusion of the hearing, issue a written award and statement of decision describing the material facts and the grounds for the conclusions on which the award is based, including the calculation of any damages awarded. The decision of the Arbitrators shall be final, conclusive and binding on the Parties and enforceable by any court of competent jurisdiction.

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(d) Each Party shall bear its own costs and expenses (including legal fees and expenses) relating to the arbitration proceeding, except that the fees of the Arbitrators and other related costs of the arbitration shall be shared equally by the Parties, unless the Arbitrators determine that a Party has incurred unreasonable expenses due to vexatious or bad faith positions taken by the other Party, in which event the Arbitrators may make an award of all or any portion of such expenses (including legal fees and expenses) so incurred.

(e) The Arbitrators shall be required to render the decision in writing and to comply with, and the award shall be limited by, any express provisions of this Agreement relating to damages or the limitation thereof. No Arbitrator shall have the power to award punitive damages under this Agreement regardless of whether any such damages are contained in a proposal, and such award is expressly prohibited.

(f) Unless the Parties otherwise agree in writing, during the period of time that any arbitration proceeding is pending under this Agreement, (A) the Parties shall continue to comply with all those terms and provisions of this Agreement that are not the subject of the pending arbitration proceeding; and (B) in the event that the subject of the dispute relates to the exercise by a Party of a termination right hereunder, including in the case of a material breach of this Agreement, the effectiveness of such termination shall be stayed until the conclusion of the proceedings under this Section 14.3.

(g) All arbitration proceedings and decisions of the Arbitrators under this Section 14.3 shall be deemed Confidential Information of both Parties under Article 9. The arbitration proceedings shall take place in Singapore, in the English language.

(h) Notwithstanding the foregoing, any dispute, controversy or claim relating to the scope, validity, enforceability or infringement of any patent rights or trademark rights shall be submitted to a court of competent jurisdiction in the country in which such patent rights or trademark rights were granted or arose. Nothing in this Section 14.3 will preclude either Party from seeking equitable relief or interim or provisional relief from a court of competent jurisdiction, including a temporary restraining order, preliminary injunction or other interim equitable relief, concerning a dispute either prior to or during any arbitration if necessary to protect the interests of such Party or to preserve the status quo pending the arbitration proceeding.

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ARTICLE 15
MISCELLANEOUS

15.1 Force Majeure. Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, potentially including embargoes, war, acts of war (whether war be declared or not), acts of terrorism, insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances (except for a strike, lockout or labor disturbance with respect to the non-performing Party's respective employees or agents), fire, floods, earthquakes or other acts of God, or acts, generally applicable action or inaction by any governmental authority (but excluding any government action or inaction that is specific to such Party, its Affiliates or sublicensees, such as revocation or non-renewal of such Party's license to conduct business). The affected Party shall notify the other Party in writing of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake and continue diligently all reasonable efforts necessary to cure such force majeure circumstances or to perform its obligations in spite of the ongoing circumstances

15.2 Assignment. This Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the prior written consent of the other Party. Notwithstanding the foregoing, DiaMedica may assign its rights to receive payments under this Agreement to one or more Entities without consent of Ahon, and either Party may, without consent of the other Party, assign this Agreement and its rights and obligations hereunder (a) in whole or in part to an Affiliate of such Party, or (b) in whole to its successor-in-interest in connection with the sale of all or substantially all of its assets or a product line, whether in a merger, acquisition, or similar transaction. Any attempted assignment not in accordance with this Section 15.2 shall be null and void and of no legal effect. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement and if the assignee fails in assuming any of the obligations in the Agreement, the assignor shall undertake such obligations. The terms and conditions of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respected successors and permitted assigns.

15.3 Severability. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

15.4 Notices. All notices which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

If to DiaMedica:

DiaMedica Therapeutics, Inc.
Two Carlson Parkway, Suite 260
Minneapolis, Minnesota 55447
USA
Attn: Rick Pauls, President & CEO
Email: [***]
Fax: 763-710-4456

with a copy to:

DiaMedica Therapeutics, Inc.
Two Carlson Parkway, Suite 260
Minneapolis, Minnesota 55447
USA
Attn: Legal Department
Email: [***]
Fax: 763-496-5118

and a copy to (which shall not constitute notice):

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
USA
Attn: Lila Hope, Ph.D.
Email: lhope@cooley.com
Fax: (650) 849 7400

If to Ahon:

Ahon Pharmaceutical Co., Ltd.
No. 55, Songshan Rd.
Jinzhou, Liaoning Province
China
Attn: [***]
Email: [***]
Fax: (+86) 416-211-6616

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

with a copy to:

Ahon Pharmaceutical Co., Ltd.
No. 55, Songshan Rd.
Jinzhou, Liaoning Province
China
Attn: R&D Center
Email: [***]
Fax: (+86) 416-211-6616

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith**.** Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile or email on a Business Day (or if delivered or sent on a non-Business Day, then on the next Business Day); (b) on the Business Day after dispatch if sent by nationally-recognized overnight courier; or (c) on the fifth Business Day following the date of mailing if sent by mail.

15.5 Governing Law. This Agreement and all claims arising out of this Agreement or the breach thereof shall be governed by and construed in accordance with the laws of the State of New York, U.S. and the patent laws of the U.S. without reference to any rules of conflict of laws.

15.6 Entire Agreement; Amendments . This Agreement, together with the Exhibits hereto, contains the entire understanding of the Parties with respect to the collaboration and the licenses granted hereunder. Any other express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect to the collaboration and the licenses granted hereunder are superseded by the terms of this Agreement. The Exhibits to this Agreement are incorporated herein by reference and shall be deemed a part of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representative(s) of both Parties hereto. The Parties agree that, effective as of the Effective Date, that certain Confidentiality Agreement between Ahon and DiaMedica dated as of April 12, 2017 (" ***Confidentiality Agreement***") shall be superseded by this Agreement, and that disclosures made prior to the Effective Date pursuant to the Confidentiality Agreement shall be subject to the confidentiality and non-use provisions of this Agreement. The foregoing shall not be interpreted as a waiver of any remedies available to either Party or its Affiliates as a result of any breach, prior to the Effective Date, by the other Party or its Affiliates of such Party's or its Affiliate's obligations pursuant to the Confidentiality Agreement.

15.7 Headings. The captions to the several Articles, Sections and subsections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the several Articles and Sections of this Agreement.

15.8 Independent Contractors. It is expressly agreed that DiaMedica and Ahon shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither DiaMedica nor Ahon shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

15.9 Waiver. The waiver by either Party of any right hereunder, or the failure of the other Party to perform, or a breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise.

15.10 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

15.11 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under Applicable Laws.

15.12 Business Day Requirements. In the event that any notice or other action or omission is required to be taken by a Party under this Agreement on a day that is not a Business Day then such notice or other action or omission shall be deemed to be required to be taken on the next occurring Business Day.

15.13 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as necessary or appropriate in order to carry out the purposes and intent of this Agreement.

15.14 Non-Solicitation of Employees. After the Effective Date and during the Term, each Party agrees that neither it nor any of its Affiliates shall recruit, solicit or induce any employee of the other Party that such Party knew was directly and substantially involved in the Development or Commercialization activities under this Agreement to terminate his or her employment with such other Party and become employed by or consult for such Party, whether or not such employee is a full-time employee of such other Party, and whether or not such employment is pursuant to a written agreement or is at-will. For purposes of the foregoing, “recruit”, “solicit” or “induce” shall not be deemed to mean (a) circumstances where an employee of a Party (i) initiates contact with the other Party or any of its Affiliates with regard to possible employment; or (ii) responds to general solicitations of employment not specifically targeted at employees of a Party or any of its Affiliates, including responses to general advertisements or postings, and (b) discussions, interviews, negotiations, offers or acceptances of employment or similar activities that arise as a result of circumstances described in (a).

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15.15 Construction. Except where the context expressly requires otherwise, (a) the use of any gender herein shall be deemed to encompass references to either or both genders, and the use of the singular shall be deemed to include the plural (and vice versa), (b) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (c) the word "will" shall be construed to have the same meaning and effect as the word "will", (d) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (e) any reference herein to any person shall be construed to include the person's successors and assigns, (f) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles, Sections, Schedules, or Exhibits shall be construed to refer to Articles, Sections, Schedules or Exhibits of this Agreement, and references to this Agreement include all Schedules and Exhibits hereto, (h) the word "notice" means notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement, (i) provisions that require that a Party or the Parties "agree", "consent" or "approve" or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise (but excluding e-mail and instant messaging), (j) references to any specific law, rule or regulation, or Section, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement or successor law, rule or regulation thereof, and (k) the term "or" shall be interpreted in the inclusive sense commonly associated with the term "and/or."

15.16 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each Party shall be entitled to rely on the delivery of executed facsimile copies of counterpart execution pages of this Agreement and such facsimile copies shall be legally effective to create a valid and binding agreement among the Parties.

15.17 Language. This Agreement is in the English language only, which language shall be controlling in all respects, and all versions hereof in any other language shall be for accommodation only and shall not be binding upon the Parties. All communications and notices to be made or given pursuant to this Agreement, and any dispute proceeding related to or arising hereunder, shall be in the English language. If there is a discrepancy between any translation of this Agreement and this Agreement, this Agreement shall prevail.

{Signature Page Follow}

In Witness Whereof, the Parties intending to be bound have caused this License and Collaboration Agreement to be executed by their duly authorized representatives as of the Effective Date.

DiaMedica Therapeutics, Inc.	**Ahon Pharmaceutical Co., Ltd.**
By: /s/ Rick Pauls	By:/s/ Guang Qu
Name: Rick Pauls	Name: Guang Qu
Title: President and CEO	Title: President
Date: September 27, 2018	Date: September 27, 2018

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

List of Exhibits

Exhibit A: **DiaMedica Patents**
Exhibit B: **Structure of DM199**
Exhibit C: **Initial Development Plan**
Exhibit D: **Joint Press Release**
Exhibit E: **Supply Agreement**

Exhibit A: DiaMedica Patents

Patent Number	Title	Expiration
PCT/US2018/021749	Dosage Forms of Tissue Kallikrein 1	2037
US 9,364,521	Human Tissue Kallikrein 1 Glycosylation Isoforms	2033
US 9,616,015	Formulations for Human Tissue Kallikrein-1 for Parenteral Delivery and Related Methods	2033

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit B: Structure of DM199

[***]

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Exhibit C: Initial Development Plan

[***]

Exhibit D: Joint Press Release

DiaMedica Therapeutics and Ahon Pharma, a Fosun Pharma Portfolio Company, Announces Signing of License Agreement for DM199 in China for Acute Ischemic Stroke

MINNEAPOLIS, MINNESOTA and SHANGHAI, CHINA —(Marketwire – September 27, 2018) - Ahon Pharmaceutical Co Ltd. (Ahon Pharma), a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co. Ltd, (Fosun Pharma, SHA: 600196 and HKG: 02196) and DiaMedica Therapeutics Inc. (TSX Venture: DMA)(OTCQB: DMCAF) today entered into a license and collaboration agreement, which allows Ahon to have exclusive rights to develop and commercialize DM199 for acute ischemic stroke in mainland China, Taiwan, Hong Kong S.A.R. and Macau S.A.R. Fosun Pharma is one of China's largest pharmaceutical firms with annual sales of more than USD$2 billion and an extensive related hospital sales force.

DM199 (synthetic KLK1 protein) is an investigational product in development to treat patients who experience an acute ischemic stroke. Upon successful development, DM199 could provide a treatment option for patients worldwide who suffer from an acute ischemic stroke within 24 hours compared to the short, 3 to 4.5-hour treatment window available today with tissue plasminogen activator ("tPA", with trade name Activase®). In China, a human urine source form of the KLK1 protein, u-KLK1 or Kailikang®, has been approved and widely used since 2005.

Under the terms of the license agreement, DiaMedica is entitled to receive an upfront payment of $5 million, consisting of $500,000 on signing and $4.5 million upon regulatory clearance to initiate a clinical trial in China. DiaMedica also has the potential to receive an additional $27.5 million in development and sales related milestones and high single and low double-digit royalties on net sales of DM199 in the licensed territories. All development, regulatory, sales, marketing, and commercial activities and associated costs in the licensed territories will be the sole responsibility of Ahon Pharma.

Fosun Pharma, with its partnership with SK Group (a South Korea based Fortune Global 100 Company) called Hermed Capital Healthcare Fund, is an investor in DiaMedica through its equity investment in 2016.

"We are extremely pleased to have Ahon Pharma and Fosun Pharma as our partner, one of the largest pharmaceutical companies in China. Their existing equity interest makes them a trusted partner to commercialize and market DM199 in mainland China and certain surrounding territories for acute ischemic stroke," stated Rick Pauls, President and CEO of DiaMedica. "Ahon Pharma and Fosun Pharma have significant resources and commercial capabilities to develop and market DM199 to health care providers and patients. This collaboration is aligned with DiaMedica's global strategy to bring DM199 to the market for the millions of patients who suffer from acute ischemic strokes each year."

Mr. Guang Qu, President of Ahon Pharma commented, “With the acceleration of the aging population in China, stroke has placed a big burden on patient, family, society and healthcare settings. This collaboration conduces to the integration of the existing advantages of both parties, and to the satisfaction of the urgent need of drug access and standardized treatment for acute ischemic stroke patients in China.”

About Acute Ischemic Stroke

An acute ischemic stroke is characterized by rapid loss of brain function due to an interruption of blood supply to the brain due to a blood clot. Affected areas of the brain become inactive and cells eventually die causing neurological impairment. Each year over 12 million people worldwide suffer an acute ischemic stroke and it is the leading cause of death and disability globally. The only approved U.S. Food and Drug Administration (“FDA”) or European Medicines Agency (“EMA”) drug treatment is tPA (Activase ®). However, only 5-7% of acute ischemic stroke patients are actually treated with tPA due to eligibility and other issues.

About DM199 for Acute Ischemic Stroke

DM199 is a recombinant human tissue kallikrein 1 (rh-KLK1). KLK1cleaves the low molecular weight kininogen to produce kinins, which is known as the kallikrein-kinin system (KKS), causing many beneficial effects to ischemia including vasodilation, anti-inflammation, cell repair and decreased apoptosis, with a possible therapeutic window of 24 hours or above.

About Fosun Pharma and Ahon Pharma

Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**"; stock code: 600196.SH in Shanghai, 02196.HK in Hong Kong) is a leading healthcare group in China. Fosun Pharma's business covers the whole healthcare industry chain, including pharmaceutical manufacturing and R&D, healthcare services, medical devices and diagnosis, as well as pharmaceutical distribution and retail, making contribution to improving people's health. Fosun Pharma maintains a national recognized enterprise technology center and a highly capable international R&D team, with relentless efforts exerted on innovation and research of therapeutic areas including cardiovascular system, central nervous system, blood system, metabolism and alimentary system, anti-infection and anti-tumor.

Ahon Pharmaceutical Co., Ltd. (“**Ahon Pharma**”) develops and produces high-tech biological pharmaceutical and biopharmaceuticals. Ahon Pharma joined Shanghai Fosun Pharma Group Company in 2011 and is one of Fosun Pharma’s core member enterprises. Ahon Pharma’s lead marketed product is for treatment of acute neurological disorders.

About DiaMedica Therapeutics Inc.

DiaMedica Therapeutics is a clinical stage biopharmaceutical company focused on developing novel treatments for neurological and kidney diseases. DiaMedica's shares are listed on the TSX Venture Exchange under the trading symbol "DMA" and on the OTCQB under the trading symbol "DMCAF". For more information, please visit **www.diamedica.com**. Follow us on social media - **Twitter**, **LinkedIn**.

Tweet this!

For further information:
Paul Papi
Vice President of Business Development
2 Carlson Parkway, Suite 260
Minneapolis, MN 55447
(617) 899-5941
info@diamedica.com

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements made in this press release that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address DiaMedica's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this press release, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements.

Forward-looking statements in this press release include statements concerning DiaMedica's expectation that it will receive payments from Ahon pursuant to the license agreement, and its anticipation for DM 199 upon successful development of the drug, and all other statements that are not statements of historical fact.

You should not place undue reliance on these forward-looking statements. These statements reflect a current view of future events and are subject to certain risks and uncertainties as contained in the DiaMedica's filings with the Canadian securities regulators, all of which are available on SEDAR (***www.sedar.com***). These risks and uncertainties include, among others, the difficulty of developing pharmaceutical products, obtaining regulatory and other approvals and achieving market acceptance; risks and results of clinical testing; risks involved in international operations; dependence upon Ahon Pharma and Fosun Pharma for the development, regulatory, sales, marketing, and commercial activities and associated costs of DM199 in the licensed territories; need for, and ability to obtain, additional financing to fund future development of DM199, and the terms of such additional financing; and other factors identified and discussed from time to time in DiaMedica's filings with Canadian securities regulators. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results could differ materially from those anticipated in these forward-looking statements. DiaMedica undertakes no obligation, and does not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events, unless required by law. Although management believes that expectations are based on reasonable assumptions, no assurance can be given that these expectations will materialize.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of the contents of this press release.

Exhibit 10.15

CONFIDENTIAL TREATMENT REQUESTED
BY DIAMEDICA THERAPEUTICS INC.
PURSUANT TO 17 C.F.R. SECTION 200.83

[PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIALITY UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE CONFIDENTIAL PORTIONS OF THIS EXHIBIT THAT HAVE BEEN OMITTED ARE MARKED WITH "[***]." A COPY OF THIS EXHIBIT WITH ALL SECTIONS INTACT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.]

SUPPLY AGREEMENT

This **Supply Agreement** ("**Agreement**") is entered into as of September 27, 2018 (the "**Effective Date**"), by and between **DiaMedica Therapeutics, Inc.**, a corporation organized and existing under the laws of Canada with offices at c/o DiaMedica USA, Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, USA (" **Licensor**") and **Ahon Pharmaceutical co., Ltd.**, a corporation organized and existing under the laws of China, having a place of business at No. 55, Songshan Rd., Jinzhou, Liaoning Province, China ("**Licensee**"). Licensor and Licensee may each be referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

Whereas, Licensor and Licensee are Parties to that certain License and Collaboration Agreement dated September 27, 2018 (the "**License Agreement**"), pursuant to which Licensor has granted Licensee the exclusive right to Develop and Commercialize the Licensed Product in the Field in the Territory;

Whereas, Section 6.1 of the License Agreement contemplates that the Parties will enter into a supply agreement for Licensor to (i) manufacture and sell the Licensed Product in finished form to Licensee, and Licensee purchases and imports finished Licensed Product from Licensor, in order for Licensee to exclusively Develop and Commercialize the Licensed Product in the Territory or (ii) manufacture and supply to Licensee the Licensed Protein (known as DM199, a recombinant human tissue kalikrein-1 protein) in Active Ingredient form or Bulk Product in order for Licensee to use such Licensed Protein to manufacture finished Licensed Product for Development and Commercialization use in the Field in the Territory if the applicable laws in the Territory allows, or (iii) make the technology transfer to Licensee for its manufacture of the Licensed Product in and for the Territory in the event of Licensor's ceasing its business operation pursuant to Section 8.3 of this Agreement;

Whereas, the Parties have agreed on the terms and conditions for the manufacture and supply of the Licensed Protein, as set forth herein.

Now, **Therefore**, in consideration of the foregoing premises and the mutual promises, covenants and conditions contained in this Agreement, the Parties agree as follows:

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

ARTICLE 1
DEFINITIONS

Capitalized terms used but not defined herein shall have the meaning set forth in License Agreement.

1.1 "**Affiliates**" means any person or entity that controls, is controlled by or is under common control with a Party to this Agreement, where "control" means (a) in the case of corporate entities, direct or indirect ownership of more than fifty percent (50%) of the stock or shares entitled to vote for the election of directors; and (b) in the case of non-corporate entities, direct or indirect ownership of more than fifty percent (50%) of the equity interest with the power to direct the management and policies of such non-corporate entities.

1.2 "**API**" means the Licensed Protein as defined in the License Agreement, also known as DM199, a recombinant human tissue kalikrein-1 protein) in Active Ingredient form, as further described in **Exhibit A** attached hereto.

1.3 "**Certificate of Analysis**" means a document identified as such and provided by Licensor, or its designee, to Licensee with each shipment of Product that sets forth the analytical test results, approved by the quality assurance department, for the Product shipped to Licensee, showing that the Product shipped complies with the Specifications.

1.4 "**Certificate of Conformance**" means a document identified as such and provided by Licensor, or its designee, to Licensee with each shipment of Product that states that the Product shipped to Licensee thereunder was manufactured in accordance with all applicable laws and regulations, including cGMP.

1.5 "**Good Manufacturing Practices**" or "**cGMP**" means the then-current applicable standards for the manufacture of pharmaceutical products, pursuant to the FD&C Act and FDA regulations, including 21 C.F.R. Parts 11, 210 and 21.

1.6 "**FD&C Act**" means the U.S. Food, Drug and Cosmetic Act.

1.7 "**FDA**" means the U.S. Food and Drug Administration.

1.8 "**Finished Product**" means the Licensed Product (as defined in the License Agreement) in finished form.

1.9 **"Product"** means the Finished Product and the API and Bulk Product.

1.10 "**Regulatory Approval**" means any approvals (including price and reimbursement approvals, if required), licenses, registrations, or authorizations of any country, federal, supranational, state or local regulatory agency, department, bureau or other government entity that are necessary to market and sell a pharmaceutical product in such jurisdiction.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

1.11 "**Specification**" means the specification for the Product as set forth in **Exhibit A** attached hereto and that obtaining Regulatory Approval in the future.

ARTICLE 2
PRODUCT SUPPLY

2.1 Purchase and Sale. Pursuant to the terms and conditions of this Agreement, Licensee shall import and purchase from Licensor, and Licensor shall manufacture, sell and supply to Licensee, the Product (either as Finished Product or API or Bulk Product) for Development and Commercial use in the Field in the Territory under the License Agreement. If the applicable laws allows Licensee to import the API and use the imported API to manufacture the Finished Product in the Territory, then, unless the Parties otherwise agree, Licensee (either by itself or through its contractors) shall have the right to manufacture the Finished Product using the API supplied hereunder.

2.2 Exclusivity. Licensee shall purchase all of its requirement of the Product exclusively from Licensor.

2.3 Forecast.

(a) No later than one hundred and eighty (180) days prior to the regulatory submission to the NMPA for IDL approval for the Finished Product, Licensee shall submit to Licensor a twelve (12) month rolling forecast ("**Forecast**") setting forth orders Licensee expects to place for the Product during each of the next the twelve (12) calendar months. Thereafter, Licensee shall update the Forecast on a quarterly basis no later than fifteen (15) days before the beginning of the next calendar quarter. For the sake of clarity, calendar quarters begin on January 1, April 1, July 1 and October 1 of each year.

(b) Licensee shall make all Forecasts in good faith given market and other information available to Licensee. In the case of the initial Forecast, the first year, and in the case of Forecast after the first year, the first three (3) months, contained within each Forecast (the "**Binding Zone**") shall constitute a binding commitment for Licensee to purchase, and for Licensor to manufacture and supply, the quantity of the Product specified therein and such quantity shall not be altered in subsequent monthly Forecast updates.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

2.4 Order.

(a) Licensee shall purchase the Product from Licensor by submitting purchase orders ("**Orders**") to Licensor. All Orders for the Product shall be made in writing, specifying the type and the quantities of the Product ordered, requested delivery date (which shall be no sooner than ninety (90) days after the date of the Order for API and one hundred and eighty (180) for Finished Product or Bulk Product) and shipment destination, and shall be submitted to Licensor's customer service department. Within seven (7) days after its receipt of an Order, Licensor shall acknowledge its receipt of such order and shall confirm the delivery date of the Product so ordered.

(b) Licensor shall accept and fulfill Orders for quantities of Product up to one hundred ten percent (110%) of the quantity set forth in the Binding Zone of the Forecast, and shall use commercially reasonable efforts to accept and fulfill Orders in excess of such amount. Once an Order is accepted, Licensor shall manufacture and supply to Licensee the Product ordered in accordance with the terms and conditions of this Agreement. Licensee acknowledges that Licensor currently uses a third-party contract manufacturer to manufacture the Product and shall have the right to fulfil its obligations to manufacture and supply the Product ordered by Licensee through its contract manufacturer.

(c) All Orders shall be governed exclusively by the terms of this Agreement, and any term or condition in any purchase order, confirmation, invoice or other document furnished by Licensee or Licensor that is in any way inconsistent with the terms and conditions set forth in this Agreement is hereby expressly rejected.

2.5 Shipping; Delivery. Delivery of the Product from Licensor to Licensee shall take place Ex Works ("EXW") at Licensor's (or its contract manufacturer's) facility (INCOTERMS 2010). Licensee shall be responsible for obtaining all licenses or other authorizations for the exportation of the Product from the country of such facility. Licensee shall also be responsible for obtaining all licenses or other authorizations for the importation of the Product into the Territory, and shall contract for shipping and insurance of the Product from such facility, at Licensee's cost and expense. Licensor shall reasonably assist Licensee to arrange for shipping and insurance.

2.6 Inspection; Acceptance; Rejection.

(a) Licensee shall promptly request NIFDC to inspect, test, and validate all Product supplied by Licensor hereunder upon receipt. "NIFDC" means the National Institutes for Food and Drug Control of the People's Republic of China and all port IFDCs under its direction and supervision. If NIFDC determines that any Product shipped by Licensor to Licensee hereunder is defective or fails to meet Specifications or conform to the requirements of this Agreement or the Quality Agreement ("**Defective Product**"), Licensee may reject such shipment of the Product by notifying Licensor in writing of such rejection within five (5) days after receipt of the NIFDC's inspection result. The Product shall be deemed accepted if Licensee does not provide notice of rejection within such five (5) day period. As Licensee's sole and exclusive remedy for Defective Product, Licensor shall promptly replace such Defective Product or refund the Transfer Price paid by Licensee for such Defective Product. Licensee shall return the Defective Product to Licensor, at Licensor's cost.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) If the Parties do not agree whether a Product is a Defective Product, the Parties shall mutually select an independent U.S. cGMP third party laboratory to evaluate whether the Product in question meets Specifications or conform to the requirements of this Agreement or the Quality Agreement. Such independent laboratory's conclusion shall be binding upon the Parties and the Party in error shall be responsible for the cost of the evaluation by such independent laboratory.

ARTICLE 3
PRICE; PAYMENTS

3.1 Advance Payment. No later than nine (9) months before Licensee places the first order for the Product, Licensee shall pay to Licensor an advance payment of US$[***] (the "**Advance Payment**". The Advance Payment shall be used by Licensor to partially fund the manufacturing of the Product and shall be non-refundable but credited against Transfer Price payment as set forth in Section 3.2(b) below. Licensor anticipates there will be at least 30 months left on the shelf life of the Finished Product when the Finished Product is shipped to the port in the Territory designated by the Licensee. Both parties shall negotiate in good faith regarding the manufacturing day for the production of the Finished Product for its commercialization in the Territory.

3.2 Transfer Price.

(a) Licensee shall pay to Licensor the price (the "**Transfer Price**") set forth on the attached **Exhibit B** for the Product supplied by Licensor to Licensee pursuant to and in accordance with this Agreement.

(b) Licensee shall pay to Licensor fifty percent (50%) of the Transfer Price times the quantity when Licensee places an Order for the Product. The remainder of the Transfer Price times the quantity shall be invoiced upon shipment of the Product and paid within twenty (20) days after receipt and passing NIFDC's inspection of the Product shipment.

3.3 Payments for Process Improvements. The Parties acknowledge that the current manufacturing process for the Product has not been optimized and Licensor may conduct manufacturing process development work to improve the manufacturing process and reduce Transfer Price by obtaining new intellectual property rights from a Third Party pursuant to Section 1.19 in the License Agreement. Licensee agreed to fund [***]% of the cost and expense incurred by Licensor to conduct manufacturing process development work for the Product, up to a maximum payable of $[***] and the expenses will not be incurred until after start of Phase 3 for acute ischemic stroke in the U.S. Licensor shall invoice Licensee its share of such development cost on a monthly basis and Licensee shall pay the amount invoiced within fifteen (15) days after the receipt of the invoice, and Licensor shall prove this by showing Licensee the related contract with the Third Party and the comparison of COA before and after process improvement.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

3.4 Currency; Tax. All payments hereunder shall be paid in U.S. dollars and are exclusive of all Taxes. Licensee shall be responsible for paying all Taxes imposed by any government authority in connection with the supply and transfer of the Product to Licensee.

ARTICLE 4
QUALITY; REGULATORY

4.1 General. Licensor shall manufacture the Product in accordance with the Specifications, the requirements of this Agreement and the Quality Agreement, and all applicable laws and regulations, including cGMP. Together with each Product shipment, Licensor shall deliver to Licensee a Certificate of Analysis and a Certificate of Compliance.

4.2 Quality Agreement. At an appropriate time after the Effective Date, the Parties shall enter into a quality agreement (the "**Quality Agreement**") setting forth in detail the quality assurance arrangements and procedures with respect to the manufacture and supply of the Product under this Agreement, which Quality Agreement shall be incorporated herein by reference following its execution by both Parties. To the extent that the terms of this Agreement and those of the Quality Agreement are in conflict, the terms of this Agreement shall control except with respect to quality issues, which shall be governed by the Quality Agreement.

4.3 Product/Process Changes. Licensor shall have the right to make changes to the Product or the manufacturing process for the Product in accordance with the change procedure set forth in the Quality Agreement, and keep Licensee informed on such changes. In the event Licensee requests any changes to the Product or the manufacturing process, Licensor shall consider such request in good faith.

4.4 Regulatory Submissions. As between the Parties, Licensee shall have the exclusive right to prepare and submit, and shall solely own, any and all regulatory submissions regarding Product in the Territory, and shall be solely responsible for all contacts and communications with any Regulatory Authority in the Territory regarding Product, as set forth in Section 5.1 of the License Agreement. Upon Licensee's request, Licensor shall provide reasonable assistance to Licensee in the preparation of such regulatory submissions in accordance with Section 5.2 of the License Agreement.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

4.5 Quality Audit. Licensor shall allow an independent Third Party auditor selected by Licensee and reasonably acceptable to Licensor to carry out on-site audits upon reasonable prior notice. Licensor shall permit such independent Third Party auditor to access the manufacturing, packaging, warehousing and laboratory areas related to the manufacture of the Product, including pertinent documentations. Any such audit shall take place during normal business hours and will not interfere with Licensor's normal manufacturing operations. Licensee shall bear the cost of such audit. Licensor may require such auditor to enter into a customary confidentiality agreement to protect Licensor's confidential information. Such auditor shall only disclose to Licensee any non-compliance with the terms of this Agreement or the Quality Agreement or applicable laws and regulations revealed by such audit, and shall not disclose any confidential information of Licensor to Licensee. In the event that such audit reveals any non-compliance, the auditor shall provide the results of the audit and the observation(s) to the Licensor and Licensee by means of a written report. If the auditor provides such written report, Licensor shall take corrective actions to remedy such non-compliance as mutually agreed upon by the Parties. The audit frequency shall be not more than once every twelve (12) months; provided that, Licensee may undertake more frequent audits if previous audits reveal quality incidents or non-compliance with applicable cGMP standards, applicable laws and regulations, or this Agreement or the Quality Agreement.

4.6 Regulatory Inspection. Licensor shall allow the FDA and other Regulatory Authorities, with or without prior notice, to visit the facility where the Product is manufactured, processed or tested, and to review records and conduct audits and inspections related to the manufacture and supply of the Product. Licensor shall notify the Licensee of all inspections by FDA and other Regulatory Authority that are related to the Product. If areas of concern exist that relate to the Product, Licensor will notify Licensee, to the extent possible, prior to the inspection and as soon as possible after Licensor receives notice of such inspection. In all other cases, Licensor will provide Licensee with information on the results of the inspection to the extent applicable. Licensor notification will include, without limitation: (a) written notification of any observation, if any, that may impact the manufacture of the Product; (b) written notification of all related corrective actions and planned completion dates related to the manufacture of the Product or the facility or equipment used to manufacture, process or test the Product; (c) any further correspondence with the FDA and other Regulatory Authority regarding the manufacture, processing, testing, or validation of the Product, or any process or procedure related thereto.

ARTICLE 5
CONFIDENTIALITY

5.1 Confidentiality. All information disclosed by a Party to the other Party under this Agreement shall be deemed Confidential Information of such Party under the License Agreement and subject to the confidentiality provisions set forth in Article 9 of the License Agreement.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as of the Effective Date as follows:

(a) such Party is a company or corporation duly organized, validly existing, and in good standing under the laws of the state of its incorporation;

(b) such Party has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and there is no contractual restriction or obligation binding on such Party which would be materially contravened by execution and delivery of this Agreement or by the performance or observance of its terms; and

(c) the execution, delivery, and performance of this Agreement have been duly authorized by all necessary corporate actions, and this Agreement constitutes a valid obligation of such Party and is binding and enforceable against such Party in accordance with the terms hereof.

6.2 Representations, Warranties and Covenants of the Licensor. Licensor represents, warrants and covenants to Licensee that:

(a) the manufacturing, processing and testing of the Product supplied to Licensee pursuant to this Agreement shall be in accordance with and conform to all applicable laws and regulations, including cGMP, and the requirements of the Quality Agreement and this Agreement;

(b) the Product supplied to Licensee pursuant to this Agreement shall comply with the Specifications for the Product, and shall not be adulterated or misbranded within the meaning of the FD&C Act and regulations promulgated by the FDA, and shall not be an article which may not, under the provisions of the FD&C Act, be introduced into interstate commerce;

(c) the Product supplied to Licensee pursuant to this Agreement will be free and clear of all liens, security interests and other encumbrances;

(d) Licensor has not used and will not use, in any capacity associated with or related to the manufacturing, processing or testing of the Product, the services of any persons who have been, or are in the process of being, debarred under Sections 306(a) or 306(b) of the FD&C Act; further, neither Licensor nor any of its officers, employees, or consultants has been convicted of an offense under any federal or state law that is cited in Section 306 of the FD&C Act as a ground for debarment, denial of approval, or suspension; and

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(e) Licensor has maintained and will maintain all the authorization, permit, license or approval necessary to perform its obligations hereunder, including the manufacture of the Product.

6.3 Disclaimers. Except as expressly stated in this Agreement, no representations or warranties whatsoever, whether express or implied, including warranties of merchantability, fitness for a particular purpose, non-infringement, are made or given by or on behalf a Party, and all representations and warranties, whether arising by operation of law or otherwise, are hereby expressly excluded.

ARTICLE 7
INDEMNIFICATION

7.1 Indemnification by Licensor. Licensor shall defend, indemnify, and hold Licensee and its Affiliates and their respective officers, directors, employees, and agents ("**Licensee Indemnitees**") harmless from and against all third party claims, suits, proceedings, damages, expenses (including court costs and reasonable attorneys' fees and expenses) and recoveries ("**Claims**") to the extent such Claims arise out of, are based on, or results from: (a) any negligence or willful misconduct in performing any of Licensor's obligation under this Agreement, its Affiliates, or their officers, directors, employees or agents; and (b) any breach of any of Licensor's covenants, obligations, representations or warranties under this Agreement or the License Agreement. The foregoing indemnity obligations shall not apply to the extent that (i) the Licensee Indemnitees fail to comply with the indemnification procedure set forth in Section 7.3 and Licensor's defense of the relevant Claims is prejudiced by such failure; or (ii) any Claim is based on or results from any activities set forth in Section 7.2(a), (b), and (c) for which Licensee is obligated to indemnify the Licensor Indemnitees under Section 7.2.

7.2 Indemnification by Licensee. Licensee shall defend, indemnify, and hold Licensor and its Affiliates and their respective officers, directors, employees, and agents ("**Licensor Indemnitees**") harmless from and against all Claims to the extent such Claims arise out of, are based on, or results from: (a) any negligence or willful misconduct in performing any of Licensee's obligation under this Agreement, its Affiliates, or their officers, directors, employees or agents of Licensee or its Affiliates; (b) any breach of any of Licensee's covenants, obligations, representations or warranties under this Agreement or the License Agreement; (c) the use, storage, processing and sale of the Product by Licensee. The foregoing indemnity obligations shall not apply to the extent that (i) the Licensor Indemnitees fail to comply with the indemnification procedure set forth in Section 7.3 and Licensee's defense of the relevant Claims is prejudiced by such failure; or (ii) any Claim is based on or results from any activities set forth in Sections 7.1(a), (b), and (c) for which Licensor is obligated to indemnify the Licensee Indemnitees under Section 7.1.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

7.3 Indemnification Procedures. The Party claiming indemnity under this Article 7 (the "**Indemnified Party**") shall give written notice to the Party from whom indemnity is being sought (the "**Indemnifying Party**") promptly after learning of such Claim. The Indemnified Party shall provide the Indemnifying Party with reasonable assistance, at the Indemnifying Party's expense, in connection with the defense of the Claim for which indemnity is being sought. The Indemnified Party may participate in and monitor such defense with counsel of its own choosing at its sole expense; provided, however, the Indemnifying Party shall have the right to assume and conduct the defense of the Claim with counsel of its choice. The Indemnifying Party shall not settle any Claim without the prior written consent of the Indemnified Party, not to be unreasonably withheld, unless the settlement involves only the payment of money. So long as the Indemnifying Party is actively defending the Claim in good faith, the Indemnified Party shall not settle or compromise any such Claim without the prior written consent of the Indemnifying Party. If the Indemnifying Party does not assume and conduct the defense of the Claim as provided above, (a) the Indemnified Party may defend against, consent to the entry of any judgment, or enter into any settlement with respect to such Claim in any manner the Indemnified Party may deem reasonably appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (b) the Indemnifying Party shall remain responsible to indemnify the Indemnified Party as provided in this Article 7.

7.4 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS SUPPLY AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 7.4 IS INTENDED TO OR SHALL LIMIT OR RESTRICT CLAIMS TO THE EXTENT ARISING IN CONNECTION WITH (A) THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 7.1 OR 7.2, OR (B) A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN ARTICLE 5.

Article 8
TERM AND TERMINATION

8.1 Term. This Agreement shall become effective on the Effective Date and, unless earlier terminated pursuant to this Article 8, shall remain in effect pursuant to Section 13.1 in the License Agreement.

8.2 Termination.

(a) Each Party shall have the right to terminate this Agreement immediately upon written notice to the other Party if the other Party materially breaches its material obligations under this Agreement and, after receiving written notice identifying such material breach in reasonable detail, fails to cure such material breach within ninety (90) days from the date of such notice.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) This Agreement shall automatically terminate upon termination of the License Agreement.

8.3 Manufacture Transfer. In the event that Licensor ceases its business operation and no longer manufactures and supplies the Product to Licensee, Licensor shall reasonably cooperate with Licensee to transfer the manufacture of the Product to Licensee or its designee. In connection with such transfer, Licensor shall provide Licensee or its designee with reasonable technical support as necessary for Licensee or its designee to manufacture the Product, including making its technical personnel available and providing master batch records and other manufacturing related documents. Licensee shall reasonably reimburse Licensor for the cost and expense Licensor incurs to provide such technical support.

8.4 Survival. Termination or expiration of this Agreement shall not affect rights or obligations of the Parties under this Agreement that have accrued prior to the date of termination or expiration. Without limiting the foregoing, the following provisions shall survive for five (5) years after any expiration or termination of this Agreement: Articles 1, 5, 7 and 9, and Section 8.4.

ARTICLE 9
MISCELLANEOUS

9.1 Entire Agreement; Amendment . This Agreement, including the Exhibits hereto, and the License Agreement set forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto with respect to the subject matter hereof and supersedes, as of the Effective Date, all prior and contemporaneous agreements and understandings between the Parties with respect to the subject matter hereof. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party. No modification to this Agreement shall be effected by the acknowledgment or acceptance of any purchase order or shipping instruction forms or similar documents containing terms or conditions at variance with or in addition to those set forth herein.

9.2 Force Majeure. In the event that a Party is unable to perform any of its obligations under this Agreement because of a Force Majeure Event (as defined below), such Party shall immediately give written notice to the other Party of the occurrence of a Force Majeure Event, the nature thereof, and the extent to which the affected Party will be unable to fully perform its obligations hereunder and shall do everything reasonably possible to resume performance. Upon receipt of such notice, the performance of the obligations by the Party claiming a Force Majeure Event shall be suspended during the continuation of the Force Majeure Event. Upon cessation of such Force Majeure Event, the affected Party shall promptly resume performance hereunder or, if not able to promptly resume full performance, the affected Party shall develop a plan (with the involvement and the written approval of the other Party) for the prompt resolution of any failure of performance under this Agreement. For purposes of this Agreement, the term " **Force Majeure Event**" means, with respect to a Party, fire, natural disaster, act of God, action or decrees of governmental bodies, terrorism, war, or embargos, or any other act or event, whether foreseen or unforeseen, that (a) prevents such Party, in whole or in part, from performing its obligations under this Agreement and (b) is beyond the reasonable control of and not the fault of such Party.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

9.3 Notices. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement, and shall be addressed to the appropriate Party at the address specified below or such other address as may be specified by such Party in writing in accordance with this Section, and shall be deemed to have been given for all purposes (a) when received, if hand-delivered or sent by confirmed facsimile or a reputable courier service, or (b) five (5) business days after mailing, if mailed by first class certified or registered airmail, postage prepaid, return receipt requested.

If to Licensor:

DiaMedica Therapeutics, Inc.
Two Carlson Parkway, Suite 260
Minneapolis, Minnesota 55447
USA
Attn: Rick Pauls, President & CEO
Email: [***]
Fax: 763-710-4456

with a copy to:

DiaMedica Therapeutics, Inc.
Two Carlson Parkway, Suite 260
Minneapolis, Minnesota 55447
USA
Attn: Legal Department
Email: [***]
Fax: 763-496-5118

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

and a copy to (which shall not constitute notice):

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
USA
Attn: Lila Hope, Ph.D.
Email: lhope@cooley.com
Fax: (650) 849 7400

If to Licensee:

Ahon Pharmaceutical Co., Ltd.
No. 55, Songshan Rd.
Jinzhou, Liaoning Province
China
Attn: [***]
Email: [***]
Fax: (+86) 416-211-6616

with a copy to:

Ahon Pharmaceutical Co., Ltd.
No. 55, Songshan Rd.
Jinzhou, Liaoning Province
China
Attn: R&D Center
Email: [***]
Fax: (+86) 416-211-6616

9.4 No Strict Construction; Headings. This Agreement has been prepared jointly by the Parties and shall not be strictly construed against either Party. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article or Section. Except where the context otherwise requires, the use of any gender shall be applicable to all genders, and the word "or" is used in the inclusive sense (and/or). The term "including" as used herein means including, without limiting the generality of any description preceding such term.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

9.5 Governing Law. This Agreement and all disputes arising out of or related to this Agreement or any breach hereof shall be governed by and construed under the laws of the State of New York, without giving effect to any choice of law principles that would require the application of the laws of a different state. The application of the U.N. Convention on Contracts for the International Sale of Goods is excluded.

9.6 Dispute Resolution. The Parties shall attempt in good faith to resolve amicably all disputes resulting from, concerning, or arising in connection with, this Agreement. Any such dispute which is not settled amicably by the Parties shall be finally settled by arbitration in accordance with Section 14.3 of the License Agreement.

9.7 Assignment. This Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the prior written consent of the other Party. Notwithstanding the foregoing, Licensor may assign its rights to receive payments under this Agreement to one or more Entities without consent of Licensor, and either Party may, without consent of the other Party, assign this Agreement and its rights and obligations hereunder (a) in whole or in part to an Affiliate of such Party, or (b) in whole to its successor-in-interest in connection with the sale of all or substantially all of its assets or a product line, whether in a merger, acquisition, or similar transaction. Any attempted assignment not in accordance with this Section 9.7 shall be null and void and of no legal effect. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement. The terms and conditions of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respected successors and permitted assigns.

9.8 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

9.9 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction from which no appeal can be or is taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

9.10 No Waiver. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the future enforcement of its rights under this Agreement, except with respect to an express written and signed waiver relating to a particular matter for a particular period of time.

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

9.11 Independent Contractors. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give either Party the power or authority to act for, bind, or commit the other Party in any way. Nothing herein shall be construed to create the relationship of partners, principal and agent, or joint-venture partners between the Parties.

9.12 English Language. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

9.13 Counterparts. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

{Signature Page Follows}

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

In Witness Whereof, the Parties have executed this Supply Agreement in duplicate originals by their duly authorized representatives as of the Effective Date.

DiaMedica Therapeutics, Inc.	**Ahon Pharmaceutical Co., Ltd.**
By: /s/ Rick Pauls	By: /s/ Guang Qu
Name: Rick Pauls	Name: Guang Qu
Title: President and CEO	Title: President

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit A
Product and Specifications

[***]

[***] Indicates portions of this exhibit that have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit B
Transfer Price Schedule

The Transfer Price for the Product supplied to Licensee hereunder for development use including for use in clinical trials) shall be zero; provided however that the total quantity of Product supplied for development use shall not exceed vials to support the clinical studies for 3 (three) weeks treatment in up to [***] patients.

The "**Transfer Price" in unit (vial)** is be calculated as the (Manufacturing Cost / (divided) by the number of vials of the Finished Product) + labeling costs per vial + shipping costs per vial. A standard [***]% administration fee of such Transfer Price will be added to total Transfer Price.

"Manufacturing Cost" means, with respect to the Product supplied by Manufacture to Licensee under this Agreement, Licensor's fully burdened manufacturing cost as calculated in accordance with US generally accepted accounting principles consistently applied, including the cost of raw materials, labor and other direct and identifiable costs incurred by Licensor, its Affiliates or third-party contract manufacturer to manufacture such Product, and the proportionate share of indirect manufacturing, stability testing, storage and quality assurance costs (but excluding general corporate overhead) reasonably allocated to the manufacture of such Product.