UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 001-36291

DIAMEDICA THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

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

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

(763) 312-6755
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Voting common shares, no par value per share	DMAC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

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 ☒	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. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of November 2, 2020, there were 18,739,074 voting common shares of the registrant outstanding.

DiaMedica Therapeutics Inc.
FORM 10-Q
September 30, 2020

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This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended, that are subject to the safe harbor created by those sections. For more information, see "Cautionary Note Regarding Forward-Looking Statements."

As used in this report, references to "DiaMedica," the "Company," "we," "our" or "us," unless the context otherwise requires, refer to DiaMedica Therapeutics Inc. and its subsidiaries, all of which are consolidated in DiaMedica's condensed consolidated financial statements. References in this report to "common shares" mean our voting common shares, no par value per share.

We own various unregistered trademarks and service marks, including our corporate logo. Solely for convenience, the trademarks and trade names in this report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that the owner of such trademarks and trade names will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this report that are not descriptions of historical facts are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 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 share 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," the negative of these terms or other comparable terminology, and the use of future dates.

The forward-looking statements in this report include, among other things, statements about:

- our plans to develop, obtain regulatory approval for and commercialize our DM199 product candidate for the treatment of chronic kidney disease (CKD) and acute ischemic stroke (AIS) and our expectations regarding the benefits of our DM199 product candidate;
- our ability to conduct successful clinical testing of our DM199 product candidate for CKD and AIS;
- our ability to obtain required regulatory approvals of our DM199 product candidate for CKD and AIS;
- the perceived benefits of our DM199 product candidate over existing treatment options for CKD and AIS;
- the potential size of the markets for our DM199 product candidate and our ability to serve those markets;
- the rate and degree of market acceptance, both in the United States and internationally, of our DM199 product candidate for CKD and AIS;
- our ability to partner with and generate revenue from biopharmaceutical or pharmaceutical partners to develop, obtain regulatory approval for and commercialize our DM199 product candidate for CKD and AIS;
- the success, cost and timing of planned clinical trials, as well as our reliance on collaboration with third parties to conduct our clinical trials;
- our expectations regarding the impact of the novel strain of coronavirus, or COVID-19, pandemic on our business, including in particular the conduct of our clinical trials and the timing thereof;
- our commercialization, marketing and manufacturing capabilities and strategy;
- expectations regarding federal, state, and foreign regulatory requirements and developments, such as potential United States Food and Drug Administration (FDA) regulation of our DM199 product candidate for CKD and AIS;
- expectations regarding competition and our ability to obtain data exclusivity for our DM199 product candidate for CKD and AIS;
- our ability to obtain funding for our operations, including funding necessary to complete planned clinical trials and obtain regulatory approvals for our DM199 product candidate for CKD and AIS;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our DM199 product candidate;
- our expectations regarding outcomes in our litigation with PRA Netherlands in the United States District Court; and
- our anticipated use of the net proceeds from our underwritten public offerings.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under *"Part I. Item 1A. Risk Factors"* in our annual report on Form 10-K for the fiscal year ended December 31, 2019 and *"Part II. Item 1A. Risk Factors"* in this report. 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 report 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. Except as required by law, including the securities laws of the United States, we do not intend to update any forward-looking statements to conform these statements to actual results or to changes in our expectations.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,797	$ 3,883
Marketable securities	20,826	3,995
Amounts receivable	335	823
Prepaid expenses and other assets	138	47
Deposits	10	88
Total current assets	31,106	8,836
Non-current assets:		
Operating lease right-of-use asset	114	153
Property and equipment, net	50	64
Total non-current assets	164	217
Total assets	$ 31,270	$ 9,053
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 720	$ 182
Accrued liabilities	658	1,076
Finance lease obligation	6	6
Operating lease obligation	59	54
Total current liabilities	1,443	1,318
Non-current liabilities:		
Finance lease obligation, non-current	8	13
Operating lease obligation, non-current	61	105
Total non-current liabilities	69	118
Shareholders' equity:		
Common shares, no par value; unlimited authorized; 18,739,074 and 12,006,874 shares issued and outstanding, as of September 30, 2020 and December 31, 2019, respectively	—	—
Paid-in capital	94,457	64,232
Accumulated other comprehensive income	10	2
Accumulated deficit	(64,709)	(56,617)
Total shareholders' equity	29,758	7,617
Total liabilities and shareholders' equity	$ 31,270	$ 9,053

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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Operating expenses:				
Research and development	$ 2,180	$ 1,617	$ 5,190	$ 6,098
General and administrative	1,139	1,044	3,241	2,725
Operating loss	(3,319)	(2,661)	(8,431)	(8,823)
Other (income) expense:				
Governmental assistance - research incentives	(25)	(263)	(205)	(663)
Other (income) expense, net	(103)	38	(154)	(20)
Total other income	(128)	(225)	(359)	(683)
Loss before income tax expense	(3,191)	(2,436)	(8,072)	(8,140)
Income tax expense	2	12	20	29
Net loss	(3,193)	(2,448)	(8,092)	(8,169)
Other comprehensive income				
Unrealized gain (loss) on marketable securities	(19)	(5)	8	6
Net loss and comprehensive loss	$ (3,212)	$ (2,453)	$ (8,084)	$ (8,163)
Basic and diluted net loss per share	$ (0.19)	$ (0.20)	$ (0.55)	$ (0.68)
Weighted average shares outstanding – basic and diluted	16,689,074	12,006,874	14,652,749	11,981,233

See accompanying notes to the condensed consolidated financial statements.

DiaMedica Therapeutics Inc.
Condensed Consolidated Statements of Shareholders' Equity
For the Nine Months Ended September 30, 2020 and 2019
(In thousands, except share and per share amounts)
(Unaudited)

	Common Shares	Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
Balances at December 31, 2019	12,006,874	$ 64,232	$ 2	$ (56,617)	$ 7,617
Issuance of common shares net of offering costs of $819	2,125,000	7,682	—	—	7,682
Exercise of common stock options	7,200	16	—	—	16
Share-based compensation expense	—	393	—	—	393
Unrealized gain on marketable securities	—	—	40	—	40
Net loss	—	—	—	(2,425)	(2,425)
Balances at March 31, 2020	14,139,074	$ 72,323	$ 42	$ (59,042)	$ 13,323
Share-based compensation expense	—	436	—	—	436
Unrealized loss on marketable securities	—	—	(13)	—	(13)
Net loss	—	—	—	(2,474)	(2,474)
Balances at June 30, 2020	14,139,074	$ 72,759	$ 29	$ (61,516)	$ 11,272
Issuance of common shares net of offering costs of $1.8 million	4,600,000	21,190	—	—	21,190
Share-based compensation expense	—	508	—	—	508
Unrealized loss on marketable securities	—	—	(19)	—	(19)
Net loss	—	—	—	(3,193)	(3,193)
Balances at September 30, 2020	18,739,074	$ 94,457	$ 10	$ (64,709)	$ 29,758

	Common Shares	Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
Balances at December 31, 2018	11,956,874	$ 62,993	$ —	$ (45,968)	$ 17,025
Share-based compensation expense	—	130	—	—	130
Unrealized gain on marketable securities	—	—	3	—	3
Net loss	—	—	—	(3,252)	(3,252)
Balances at March 31, 2019	11,956,874	$ 63,123	$ 3	$ (49,220)	$ 13,906
Exercise of common stock options	50,000	75	—	—	75
Share-based compensation expense	—	182	—	—	182
Unrealized gain on marketable securities	—	—	8	—	8
Net loss	—	—	—	(2,469)	(2,469)
Balances at June 30, 2019	12,006,874	$ 63,380	$ 11	$ (51,689)	$ 11,702
Share-based compensation expense	—	451	—	—	451
Unrealized loss on marketable securities	—	—	(5)	—	(5)
Net loss	—	—	—	(2,448)	(2,448)
Balances at September 30, 2019	12,006,874	$ 63,831	$ 6	$ (54,137)	$ 9,700

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (8,092)	$ (8,169)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,337	763
Amortization of discount on marketable securities	(24)	(68)
Non-cash lease expense	39	36
Depreciation	16	16
Changes in operating assets and liabilities:		
Amounts receivable	488	116
Prepaid expenses	(91)	280
Deposits	78	(39)
Accounts payable	538	(171)
Accrued liabilities	(458)	(1)
Net cash used in operating activities	(6,169)	(7,237)
Cash flows from investing activities:		
Purchase of marketable securities	(25,048)	(10,928)
Maturities of marketable securities	8,249	6,000
Purchase of property and equipment	(2)	—
Disposition of property and equipment, net	—	12
Net cash used in investing activities	(16,801)	(4,916)
Cash flows from financing activities:		
Proceeds from issuance of common shares, net of offering costs	28,872	—
Proceeds from the exercise of stock options	16	75
Principal payments on finance lease obligations	(4)	(4)
Net cash provided by financing activities	28,884	71
Net increase (decrease) in cash and cash equivalents	5,914	(12,082)
Cash and cash equivalents at beginning of period	3,883	16,823
Cash and cash equivalents at end of period	$ 9,797	$ 4,741

See accompanying 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, DiaMedica and the Company), exist for the primary purpose of advancing the clinical and commercial development of a proprietary recombinant, or synthetic, tissue Kallikrein-1 protein (KLK1) for the treatment of kidney and neurological diseases with our primary focus on chronic kidney disease (CKD) and acute ischemic stroke (AIS). Our parent company is governed under the British Columbia Business Corporations Act and our common shares are publicly traded on The Nasdaq Capital Market under the symbol "DMAC."

2. Risks and Uncertainties

DiaMedica 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 FDA in the United States, the European Medicines Agency (EMA) in the European Union and comparable agencies in other countries. We are in the clinical stage of development of our initial product candidate, DM199, for the treatment of CKD and AIS. The Company has not completed the development of any product candidate and, accordingly, has not begun to commercialize any product candidate or generate any revenues from the commercial sale of any product candidate. DM199 requires significant additional clinical testing and investment prior to seeking marketing approval and is not expected to be commercially available for at least three to five years, if at all.

Additionally, clinical testing is currently being adversely impacted by the novel strain of the coronavirus (COVID-19) pandemic. We are experiencing slower than expected enrollment in the REDUX clinical trial due to the reduction or suspension of activities at our clinical study sites as they address staff and patient safety concerns and patient concerns related to visiting clinical study sites. We anticipate that the COVID-19 pandemic will likely continue to adversely affect our ability to recruit or enroll subjects and we cannot provide any assurance as to when sites will be able to resume enrollment at a normal rate.

The Company's future success is dependent upon the success of its development efforts, its ability to demonstrate clinical progress for its DM199 product candidate in the United States or other markets, its ability to obtain required governmental approvals of its product candidate, its ability to license or market and sell its DM199 product candidate and its ability to obtain additional financing to fund these efforts.

As of September 30, 2020, we have incurred losses of $64.7 million since our inception in 2000. For the nine months ended September 30, 2020, we incurred a net loss of $8.1 million and negative cash flows from operating activities of $6.2 million. We expect to continue to incur operating losses until such time as any future product sales, royalty payments, licensing fees, and/or milestone payments generate revenue sufficient to fund our continuing operations. For the foreseeable future, we expect to incur significant operating losses as we continue the development and clinical trials of, and to seek regulatory approval for, our DM199 product candidate. As of September 30, 2020, DiaMedica had cash and cash equivalents of $9.8 million, marketable securities of $20.8 million, working capital of $29.7 million and shareholders' equity of $29.8 million. Our principal source of cash has been net proceeds from the issuance of equity securities. Although the Company has previously been successful in obtaining financing through equity securities offerings, there is no assurance that we will be able to do so in the future. This is particularly true if our clinical data is not positive or economic and market conditions deteriorate.

We expect that we will need substantial additional capital to further our research and development activities, complete the required clinical trials and regulatory activities and otherwise develop our product candidate, DM199, or any future product candidates, to a point where they may be commercially sold. We expect our current cash resources will be sufficient to allow us to complete all three cohorts in our REDUX Phase II study in patients with CKD and to otherwise fund our planned operations for at least the next twelve months from the date of issuance of these financial statements. However, the amount and timing of our future funding requirements will depend on many factors, including the timing and results of ongoing development efforts, the potential expansion of current development programs, potential new development programs and related general and administrative support. We may require significant additional funds earlier than we currently expect and there is no assurance that we will not need or seek additional funding prior to such time. We may elect to raise additional funds even before we need them if market conditions for raising additional capital are favorable.

3. Summary of Significant Accounting Policies

Interim financial statements

We have prepared the accompanying condensed consolidated financial statements in accordance with accounting principles generally 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 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, 2019 was derived from our audited consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with our 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.

Cash and cash equivalents

The Company considers all bank deposits, including money market funds, and other investments, purchased with an original maturity to the Company of three months or less, to be cash and cash equivalents. The carrying amount of our cash equivalents approximates fair value due to the short maturity of the investments.

Concentration of credit risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash, cash equivalents and marketable securities. The Company maintains its cash balances primarily with two financial institutions. These balances generally exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents. The Company believes that the credit risk related to marketable securities is limited due to the adherence to an investment policy focused on the preservation of principal.

Marketable securities

The Company's marketable securities typically consist of obligations of the United States government and its agencies, investment grade corporate obligations and bank certificates of deposit, which are classified as available-for-sale and included in current assets as they are intended to fund current operations. Securities are valued based on market prices for similar assets using third party certified pricing sources. Available-for-sale securities are carried at fair value with unrealized gains and losses reported as a component of shareholders' equity in accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization or accretion is included in interest income. Realized gains and losses, if any, are calculated on the specific identification method and are included in other income in the condensed consolidated statements of operations.

Available-for-sale securities are reviewed for possible impairment at least quarterly, or more frequently if circumstances arise that may indicate impairment. When the fair value of the securities declines below the amortized cost basis, impairment is indicated and it must be determined whether it is other than temporary. Impairment is considered to be other than temporary if the Company: (i) intends to sell the security, (ii) will more likely than not be forced to sell the security before recovering its cost, or (iii) does not expect to recover the security's amortized cost basis. If the decline in fair value is considered other than temporary, the cost basis of the security is adjusted to its fair market value and the realized loss is reported in earnings. Subsequent increases or decreases in fair value are reported as a component of shareholders' equity in accumulated other comprehensive income (loss). There were no other-than-temporary unrealized losses as of September 30, 2020.

Fair value measurements

Under the authoritative guidance for 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 Inputs — quoted prices in active markets for identical assets and liabilities
Level 2 Inputs — observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3 Inputs — unobservable inputs

As of September 30, 2020, 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. See Note 4, titled "*Marketable Securities*" for additional information.

4. Marketable Securities

The available-for-sale marketable securities are primarily comprised of investments in commercial paper, corporate bonds and government securities and consist of the following, measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements Using Inputs Considered as of:							
	September 30, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Government securities	$ 12,827	$ —	$ 12,827	$ —	$ 1,998	$ —	$ 1,998	$ —
Bank certificates of deposit	1,748	—	1,748	—	—	—	—	—
Commercial paper and corporate bonds	6,251	—	6,251	—	1,997	—	1,997	—
Total	$ 20,826	$ —	$ 20,826	$ —	$ 3,995	$ —	$ 3,995	$ —

Accrued interest receivable on available-for-sale securities is included in amounts receivable and was $38,000 and $25,000 as of September 30, 2020 and December 31, 2019, respectively.

There were no transfers of assets between Level 1 and Level 2 of the fair value measurement hierarchy during the nine months ended September 30, 2020.

Under the terms of the Company's investment policy, purchases of marketable securities are limited to investment grade governmental and corporate obligations and bank certificates of deposit with a primary objective of principal preservation. Maturities of individual securities are less than one year and the amortized cost of all securities approximated fair value as of September 30, 2020 and December 31, 2019.

5. Amounts Receivable

Amounts receivable consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Research and development incentives	$ 289	$ 793
Accrued interest	38	17
Sales-based taxes receivable	—	13
Other	8	—
Total amounts receivable	$ 335	$ 823

6. Deposits

Deposits consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Advances to vendors - current	$ 10	$ 88

We periodically advance funds to vendors engaged to support the performance of our clinical trials and supporting activities. The funds advanced are held, interest free, for varying periods of time and may be recovered by DiaMedica through partial reductions of ongoing invoices, application against final study/project invoices or refunded upon completion of services to be provided. Deposits are classified as current or non-current based upon their expected recovery time.

7. Property and Equipment

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

	September 30, 2020	December 31, 2019
Furniture and equipment	$ 51	$ 51
Computer equipment	58	56
	109	107
Less accumulated depreciation	(59)	(43)
Property and equipment, net	$ 50	$ 64

8. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Accrued compensation	$ 340	$ 419
Accrued clinical study costs	211	433
Accrued research and other professional fees	94	172
Accrued taxes and other liabilities	13	52
Total accrued liabilities	$ 658	$ 1,076

9. Operating Lease

We lease certain office space under a non-cancelable operating lease. This lease does not have significant rent escalation holidays, concessions, leasehold improvement incentives or other build-out clauses. Further this lease does not contain contingent rent provisions. This lease terminates on August 31, 2022 and we do not have an option to renew. This lease does include both lease (e.g., fixed rent) and non-lease components (e.g., common-area and other maintenance costs). The non-lease components are deemed to be executory costs and are therefore excluded from the minimum lease payments used to determine the present value of the operating lease obligation and related right-of-use asset.

This lease does not provide an implicit rate and, due to the lack of a commercially salable product, we are generally considered unable to obtain commercial credit. Therefore, we estimated our incremental borrowing rate to be 9%, considering the quoted rates for the lowest investment-grade debt and the interest rates implicit in recent financing leases. We used our estimated incremental borrowing rate and other information available at the lease commencement date in determining the present value of the lease payments.

Our operating lease cost and variable lease costs were $49,000 and $40,000, respectively, for the nine months ended September 30, 2020. Variable lease costs consist primarily of common area maintenance costs, insurance and taxes which are paid based upon actual costs incurred by the lessor.

Maturities of our operating lease obligation are as follows as of September 30, 2020 (in thousands):

2020	$	17
2021		68
2022		46
Total lease payments	$	131
Less interest portion		(11)
Present value of lease obligation	$	120

10. Shareholders' Equity

Authorized capital stock

The Company has authorized share capital of an unlimited number of voting common 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 special meeting.

Equity issued during the nine months ended September 30, 2020

On August 10, 2020, we issued and sold an aggregate 4,600,000 common shares in a public, underwritten offering at a public offering price of $5.00 per share. As a result of the offering, we received gross proceeds of $23.0 million, which resulted in net proceeds to us of approximately $21.2 million, after deducting the underwriting discount and offering expenses.

On February 13, 2020, we issued and sold an aggregate of 2,125,000 common shares in a public, underwritten offering at a public offering price of $4.00 per share. As a result of the offering, we received gross proceeds of $8.5 million, which resulted in net proceeds to us of approximately $7.7 million, after deducting the underwriting discount and offering expenses.

On September 11, 2020, we issued a warrant to purchase up to 10,000 common shares at an exercise price equal to $4.00 per share to Craig-Hallum Capital Group LLC in consideration for certain strategic advisory services. The warrant is exercisable until October 1, 2024, unless terminated earlier pursuant to the terms thereof.

During the nine months ended September 30, 2020, 7,200 common shares were issued on the exercise of options for gross proceeds of $16,000 and no warrants were exercised.

Equity issued during the nine months ended September 30, 2019

During the nine months ended September 30, 2019, 50,000 common shares were issued on the exercise of options for gross proceeds of $75,000 and no warrants were exercised.

Shares reserved

Common shares reserved for future issuance are as follows:

	September 30, 2020
Stock options outstanding	1,395,399
Deferred share units outstanding	47,237
Shares available for grant under the DiaMedica Therapeutics Inc. Omnibus Incentive Plan	1,107,431
Common shares issuable under common share purchase warrants	265,000
Total	2,815,067

11. 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	$ (3,193)	$ (2,448)	$ (8,092)	$ (8,169)
Weighted average shares outstanding—basic and diluted	16,689,074	12,006,874	14,652,749	11,981,233
Basic and diluted net loss per share	$ (0.19)	$ (0.20)	$ (0.55)	$ (0.68)

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Employee and non-employee stock options	1,395,399	1,251,893	1,395,399	1,251,893
Common shares issuable under common share purchase warrants	265,000	807,563	265,000	807,563
Common shares issuable under deferred unit awards	47,237	21,183	47,237	21,183

12. Share-Based Compensation

2019 Omnibus Incentive Plan

The DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan (2019 Plan) was adopted by the Board of Directors in March 2019 and approved by our shareholders at our annual general and special meeting of shareholders held on May 22, 2019. The 2019 Plan permits the Board, or a committee or subcommittee thereof, to grant to the Company's eligible employees, non-employee directors and consultants non-statutory and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, deferred stock units, performance awards, non-employee director awards and other stock-based awards. We grant options to purchase common shares under the 2019 Plan at no less than the fair market value of the underlying common shares as of the date of grant. Options granted to employees and non-employee directors have a maximum term of ten years and generally vest in approximately equal quarterly installments over one to three years. Options granted to non-employees have a maximum term of five years and generally vest in approximately equal quarterly installments over one year. Subject to adjustment as provided in the 2019 Plan, the maximum number of the Company's common shares authorized for issuance under the 2019 Plan is 2,000,000 shares. As of September 30, 2020, options to purchase 866,515 common shares were outstanding and there were 26,054 common shares reserved for deferred stock units (DSUs) outstanding under the 2019 Plan.

Prior stock option plan

The DiaMedica Therapeutics Inc. Stock Option Plan, Amended and Restated November 6, 2018 (Prior Plan), was terminated by the Board of Directors in conjunction with the shareholder approval of the 2019 Plan. Awards outstanding under the Prior Plan remain outstanding in accordance with and pursuant to the terms thereof. Options granted under the Prior Plan have terms similar to those used under the 2019 Plan. As of September 30, 2020, options to purchase 528,884 common shares were outstanding under the Prior Plan.

As the TSX Venture Exchange was the principal trading market for the Company's common shares, all options granted prior to December 31, 2018 were priced in Canadian dollars. Options granted after December 31, 2018 have been priced in United States dollars.

Prior deferred share unit plan

The DiaMedica Therapeutics Inc. Amended and Restated Deferred Share Unit Plan (DSU Plan) was terminated by the Board of Directors in conjunction with the shareholder approval of the 2019 Plan. Awards outstanding under the DSU Plan remain outstanding in accordance with and pursuant to the terms thereof. As of September 30, 2020, there were 21,183 common shares reserved for DSUs outstanding under the DSU Plan.

The aggregate number of common shares reserved for issuance for awards granted under the 2019 Plan, the Prior Plan and the DSU Plan as of September 30, 2020 was 1,442,636.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Research and development	$ 141	$ 151	$ 379	$ 276
General and administrative	367	300	958	487
Total share-based compensation	$ 508	$ 451	$ 1,337	$ 763

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 Outstanding	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balances at December 31, 2019	1,220,359	$ 5.32	$ —
Granted	282,332	4.77	
Exercised	(7,200)	2.25	
Expired/cancelled	(78,147)	5.10	
Forfeited	(21,945)	—	
Balances at September 30, 2020	1,395,399	$ 5.24	$ 301

Information about stock options outstanding, vested and expected to vest as of September 30, 2020, is as follows:

	Outstanding, Vested and Expected to Vest			Options Vested and Exercisable	
Per Share Exercise Price	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Remaining Contractual Life (Years)
$2.00 - $2.99	125,700	5.3	$ 2.28	125,700	5.2
$3.00 - $3.99	97,905	6.2	3.88	97,905	6.2
$4.00 - $4.99	932,744	8.7	4.56	483,716	8.4
$5.00 - $10.00	188,900	7.0	7.84	130,280	7.2
$10.01 - $34.00	50,150	2.1	18.16	50,150	2.1
	1,395,399	7.8	$ 5.24	887,751	7.2

13. Related Party Transaction

During 2020, we have engaged a consulting firm owned by our Vice President of Regulatory Affairs to perform certain tasks supporting our quality and regulatory activities. The work is performed as required by us and all services are invoiced on an hourly basis with no minimum commitment. Total charges invoiced were approximately $90,000 and $137,000 for the three and nine-months ended September 30, 2020, and are recorded as research and development expenses, of which $11,000 is outstanding and included in accounts payable as of September 30, 2020.

14. Commitments and Contingencies

Litigation funding agreement

On December 27, 2019, we entered into a litigation funding agreement with LEGALIST FUND II, L.P. (the Funder) for the purpose of funding our currently pending lawsuit against Pharmaceutical Research Associates Group B.V. Under the terms of the litigation funding agreement, the Funder agreed to pay up to an aggregate of $1.0 million to fund reasonable legal fees, court costs, and other expenses incurred by us in connection with the litigation. These payments, however, were conditioned upon the transfer of venue of the litigation from Delaware to Minnesota; and if the venue was not transferred, we were not entitled to receive any payments under the agreement. On September 21, 2020, the United States District Court, District of Delaware, issued a ruling denying our motion to transfer the litigation indicating that we had not met the required standards to support a venue transfer. As a result of this ruling, the litigation funding agreement is terminated.

ITEM 2. 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. and its subsidiaries for the three and nine months ended September 30, 2020 and 2019.

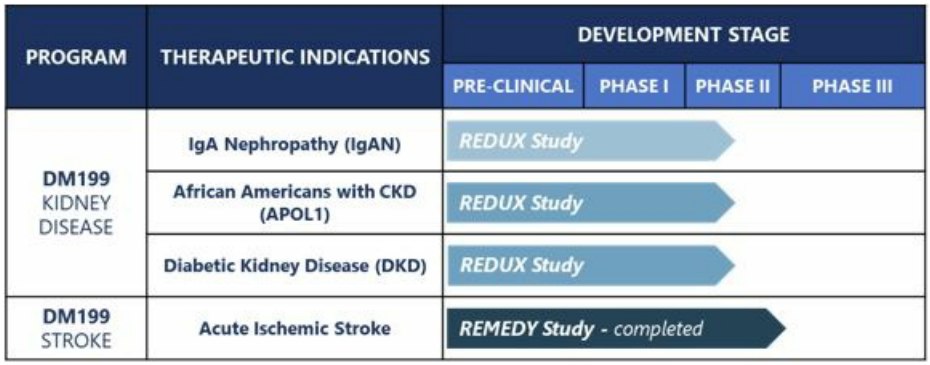
This discussion should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2019, which includes additional information about our critical accounting policies and practices and risk factors. 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 "*Cautionary Note Regarding Forward-Looking Statements*" for additional cautionary information.

Business Overview

We are a clinical stage biopharmaceutical company primarily focused on the development of novel recombinant, or 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 therapeutic treatments from novel recombinant proteins. Our current focus is on the treatment of chronic kidney disease (CKD) and acute ischemic stroke (AIS). 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 CKD and AIS.

DM199 is a recombinant form of human tissue kallikrein-1 (KLK1). KLK1 is a serine protease (protein), produced primarily in the kidneys, pancreas 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 the 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.

Our DM199 product candidate is in clinical development as follows:



REDUX Clinical Trial

In October 2019, the U.S. Food and Drug Administration (FDA) accepted our Phase II clinical trial protocol for the treatment of CKD caused by rare or significant unmet diseases. The trial named REDUX, Latin for restore, is a multi-center, open-label investigation of approximately 90 participants with mild or moderate CKD (Stage II or III) and albuminuria, who are being enrolled in three cohorts (30 participants per cohort). The study is being conducted in the United States at 14 sites and is focused on participants with CKD: Cohort I is focused on non-diabetic, hypertensive African Americans with Stage II or III CKD. African Americans are at greater risk for CKD than Caucasians, and those African Americans who have the APOL1 gene mutation are at an even higher risk. The study is designed to capture the APOL1 gene mutation as an exploratory biomarker in this cohort. Cohort II is focused on participants with IgA Nephropathy (IgAN). Cohort III, which was added after the completion of our August 2020 public offering, is focused on participants with Type II diabetes mellitus with CKD, hypertension and albuminuria. The study will evaluate two dose levels of DM199 within each cohort. Study participants will receive DM199 by subcutaneous injection twice weekly for 95 days. The primary study endpoints include safety, tolerability, blood pressure, albuminuria and kidney function, which will be evaluated by changes from baseline in estimated glomerular filtration rate (eGFR) and albuminuria, as measured by the urinary albumin to creatinine ratio. Participant enrollment and dosing for this study commenced in December 2019.

As of October 30, 2020, we had enrolled 49 subjects, including 11 African American subjects into Cohort I, 13 subjects with IgAN into Cohort II and 25 subjects with Type II diabetes, hypertension and albuminuria into Cohort III of the REDUX study. Due to actions implemented at our clinical study sites to combat the COVID-19 pandemic, we have continued to experience slower than expected enrollment in the first two cohorts of the REDUX trial. We believe this is due to the reduction or suspension of activities at our clinical study sites as they address staff and patient safety concerns and patient concerns related to visiting clinical study sites in light of the COVID-19 pandemic. We have added two additional study sites to increase the enrollment rates in these cohorts. The enrollment rate for Cohort III has been much more rapid, which is likely due to the large population of potential subjects. We anticipate that the COVID-19 pandemic will likely continue to adversely affect our ability to recruit or enroll subjects, and we cannot provide any assurance as to when clinical sites will be able to resume enrollment in Cohorts I and II at a normal rate or any guidance at this time as to when we will complete enrollment in the study. DiaMedica expects enrollment in Cohort III to complete by the end of the year with topline results available in the first half of 2021.

ReMEDy Clinical Trial

Enrollment in the ReMEDy study began in February 2018 and concluded in October 2019. We enrolled 92 participants to assess DM199 in the treatment of participants who experienced an AIS. The study drug (DM199 or placebo) was administered as an intravenous (IV) infusion within 24 hours of stroke symptom onset, followed by subcutaneous injections later that day and once every 3 days for 21 days. The study was 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. Positive top-line results, including the achievement of primary safety and tolerability endpoints and no DM199-related serious adverse events, were announced on May 13, 2020. In addition, there was also a demonstrated therapeutic effect in participants that received tissue plasminogen activator (tPA) prior to enrollment but not in participants receiving mechanical thrombectomy prior to enrollment according to top-line phase II results.

On October 5, 2020, we submitted a pre-IND meeting request to the FDA. We have requested an initial meeting with the FDA to review our proposed strategy and plan for conducting the safety/toxicology studies and human clinical trials required for approval of DM199 for the treatment of AIS.

From a strategic perspective, we continue to believe that strategic alternatives with respect to our DM199 product candidate, including licenses and business collaborations, with other regional and global pharmaceutical and biotechnology companies can be important in advancing the clinical development of DM199. Therefore, as a matter of course and from time to time, we engage in discussions with third parties regarding these matters.

Financial Overview

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. We have incurred losses in each year since our inception. Our net losses were $8.1 million and $8.2 million for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, we had an accumulated deficit of $64.7 million. Substantially all of our operating losses resulted from expenses incurred in connection with the development of our DM199 product candidate, our primary research and development (R&D) activities, and general and administrative (G&A) support costs associated with our operations.

On August 10, 2020, we issued and sold an aggregate of 4,600,000 common shares in a public underwritten offering at a public offering price of $5.00 per share, receiving gross proceeds of $23.0 million and net proceeds of approximately $21.2 million, after deducting the underwriting discount and offering expenses.

We expect to continue to incur significant expenses and continuing operating losses in 2020, which we believe will be up slightly from 2019. Our expenses will increase further if we progress to advanced stages of clinical development over the next several years. In the near term, we anticipate that our expenses will increase as we:

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

While our rate of future negative cash flow per month will vary due to the timing of expenses incurred, we expect our current cash resources will be sufficient to allow us to complete all three cohorts in our REDUX Phase II study in patients with CKD and to otherwise fund our planned operations for at least the next twelve months from the date of issuance of these financial statements. However, the amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, including enrollment in our clinical trials, the potential expansion of our current development programs, potential new development programs, related G&A support and the effects of the COVID-19 pandemic. We may require significant additional funds earlier than we currently expect and there is no assurance that we will not need or seek additional funding prior to such time. We may elect to raise additional funds even before we need them if market conditions for raising additional capital are favorable.

Overview of Expense Components

Research and Development Expenses

R&D expenses consist primarily of fees paid to external service providers such as contract research organizations; contractual obligations for clinical development including clinical sites, outside nursing services and laboratory testing, and preclinical trials; development of manufacturing processes, costs for production runs of DM199; salaries, benefits and share-based compensation and other personnel costs.

At this time, due to the risks inherent in the clinical development process and the clinical 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 have experienced a delay and expect to continue to expect a delay in the timing of costs incurred in the REDUX trial as a result of the COVID-19 pandemic. We do not, however, expect to experience a significant overall increase in costs. We intend to continue to assess the effect of the pandemic on our REDUX trial by monitoring the spread of the COVID-19 virus and the actions implemented to combat the virus. We expect that our R&D expenses will increase in the future 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 expenses 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 insurance, rent and utilities, travel expenses and professional fees for auditing, tax and legal services. We expect our G&A expenses will increase in the future as we expand our development and operating activities.

We have instituted a number of procedural changes related to protecting the health and safety of our employees in response to the COVID-19 pandemic. During the third quarter of 2020 our office remained closed and our employees worked remotely. In addition, all non-essential travel remained on hold. We have encouraged our employees to interact with each other and vendors through audio and video conferencing. We did not incur significant additional expenses during the third quarter of 2020 related to these changes, nor do we expect to incur significant additional expenses going forward. We expect to continue to work remotely and restrict non-essential travel for the foreseeable future.

Other (Income) Expense

Other (income) expense consists primarily of governmental assistance – research incentives, interest income and foreign currency exchange gains and losses.

Related Party Transactions

For a discussion of related party transactions, see Note 13 to the Company's condensed consolidated financial statements included herein.

Results of Operations

Comparison of the Three and Nine Months ended September 30, 2020 and 2019

The following table summarizes our unaudited results of operations for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating expenses:				
Research and development	$ 2,180	$ 1,617	$ 5,190	$ 6,098
General and administrative	1,139	1,044	3,241	2,725
Total other income, net	128	225	359	683

Research and Development Expenses

R&D expenses increased to $2.2 million for the three months ended September 30, 2020, up from $1.6 million for the three months ended September 30, 2019, an increase of $0.6 million, due primarily to costs incurred in connection with the REDUX Phase II CKD trial, including the launching of the third Cohort. R&D expenses decreased to $5.2 million for the nine months ended September 30, 2020, compared to $6.1 million for the nine months ended September 30, 2019, a decrease of $0.9 million. The decrease for the nine-month comparison was primarily due to non-recurring costs of approximately $1.3 million incurred for a new production run of the DM199 drug substance during the nine months ended September 30, 2019 and a net decrease in year-over-year clinical study costs. The decrease in clinical study costs was due to a combination of the decrease in costs incurred for the ReMEDy stroke study as it wound down and non-recurring costs of the Phase 1b CKD study which was started and completed in the prior year period. These decreases were partially offset by costs incurred for the REDUX Phase II CKD study initiated late in 2019, increased manufacturing development costs and increased non-cash share-based compensation costs.

General and Administrative Expenses

G&A expenses were $1.1 million for the three months ended September 30, 2020, up from $1.0 million for the three months ended September 30, 2019. G&A expenses increased to $3.2 million for the nine months ended September 30, 2020, up $0.5 million from $2.7 million for the nine months ended September 30, 2019. The increase for the nine-month comparison was primarily due to increased non-cash share-based compensation costs and increased professional service costs.

Total Other (Income) Expense

Total other income decreased to $128,000 for the three months ended September 30, 2020, down from $225,000 for the prior year period. Total other income decreased to $359,000 for the nine months ended September 30, 2020, compared to $683,000 for the nine months ended September 30, 2019. The decrease for the nine-month comparison is primarily related to reduced R&D incentives associated with decreased ReMEDy stroke study costs during the nine months ended September 30, 2020, partially offset by foreign currency transaction gains recognized in the current year.

Liquidity and Capital Resources

The following tables summarize our liquidity and capital resources as of September 30, 2020 and December 31, 2019, and our sources and uses of cash for each of the nine month periods ended September 30, 2020 and 2019, and is intended to supplement the more detailed discussion that follows (in thousands):

Liquidity and Capital Resources	**September 30, 2020**	**December 31, 2019**
Cash, cash equivalents and marketable securities	$ 30,623	$ 7,878
Total assets	31,270	9,053
Total current liabilities	1,443	1,318
Total shareholders' equity	29,758	7,617
Working capital	29,663	7,518

	Nine Months Ended September 30,	
Cash Flow Data	**2020**	**2019**
Cash flow provided by (used in):		
Operating activities	$ (6,169)	$ (7,237)
Investing activities	(16,801)	(4,916)
Financing activities	28,884	71
Net increase (decrease) in cash and cash equivalents	$ 5,914	$ (12,082)

Working Capital

We had cash and cash equivalents of $9.8 million, marketable securities of $20.8 million, current liabilities of $1.4 million and working capital of $29.7 million as of September 30, 2020, compared to $3.9 million in cash and cash equivalents, marketable securities of $4.0 million, $1.3 million in current liabilities and $7.5 million in working capital as of December 31, 2019. The increases in our combined cash, cash equivalents and marketable securities and in our working capital are due primarily to our February and August 2020 public offerings.

On December 27, 2019, we entered into a litigation funding agreement with LEGALIST FUND II, L.P. (the Funder) for the purpose of funding our currently pending lawsuit against Pharmaceutical Research Associates Group B.V., which lawsuit is described in more detail under "*Part II. Other Information – Item 1. Legal Proceedings.*" Under the terms of the litigation funding agreement, the Funder agreed to pay up to an aggregate of $1.0 million to fund reasonable legal fees, court costs, and other expenses incurred by us in connection with the litigation. These payments, however, were conditioned upon the transfer of venue of the litigation from Delaware to Minnesota; and if the venue was not transferred, we were not entitled to receive any payments under the agreement. As described in more detail under "*Part II. Other Information – Item 1. Legal Proceedings*" of this report, on September 21, 2020, the United States District Court, District of Delaware, issued a ruling denying our motion to transfer the litigation indicating that we had not met the required standards to support a venue transfer. As a result of this ruling, the litigation funding agreement is terminated.

Cash Flows

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2020 was $6.2 million compared to $7.2 million for the nine months ended September 30, 2019. This decrease relates primarily to the combination of the decrease in the net loss and increase in non-cash share-based compensation.

Investing Activities

Investing activities consist primarily of purchases of marketable securities and property and equipment during the respective periods. Net cash used in investing activities was $16.8 million for the nine months ended September 30, 2020 compared to $4.9 million for the nine months ended September 30, 2019. This increase was due to the investment of a portion of the net proceeds received in the August 2020 public offering, partially offset by an increase in the maturities of marketable securities during the current year period.

Financing Activities

Financing activities consist primarily of net proceeds from the sale of common shares in the current year period. Net cash provided by financing activities was $28.9 million for the nine months ended September 30, 2020 compared to $71,000 for the nine months ended September 30, 2019. This increase was due to our February and August 2020 public offerings.

On February 13, 2020, we issued and sold an aggregate of 2,125,000 common shares in a public, underwritten offering at a public offering price of $4.00 per share, resulting in net proceeds to us of approximately $7.7 million, after deducting the underwriting discount and offering expenses.

On August 10, 2020, we issued and sold an aggregate of 4,600,000 common shares in a public underwritten offering at a public offering price of $5.00 per share, receiving gross proceeds of $23.0 million and net proceeds of approximately $21.2 million, after deducting the underwriting discount and offering expenses.

Capital Requirements

Since our inception, we have incurred losses while advancing the development of our 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 be able to license and/or market and sell our DM199 product candidate or any future product candidates. We expect the development work required to obtain regulatory approval may take at least an additional three to five years. We will likely continue to incur substantial operating losses 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. We expect our operating losses to continue in the near term and increase if we progress to advanced stages of clinical development and we seek regulatory approval for our DM199 product candidate. However, with the effects of the COVID-19 pandemic slowing the enrollment in our REDUX trial we expect our operating expenses for the year ended December 31, 2020 to be comparable to or slightly less than our operating expenses for the year ended December 31, 2019. In the long-term, subject to obtaining regulatory approval of our DM199 product candidate or any other future product candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution.

We have experienced a delay and expect to continue to experience a delay in the timing of costs incurred in the REDUX trial as a result of the COVID-19 pandemic. We do not, however, expect to experience a significant overall increase in costs. We intend to continue to assess the effect of the pandemic on our REDUX trial by monitoring the spread of the COVID-19 virus and the actions implemented to combat the virus.

Accordingly, despite the completion of our recent public offerings, we expect we will need substantial additional capital to further our R&D activities, planned clinical trials, regulatory activities and otherwise develop our product candidate, DM199, or any future product candidates, to a point where they may be commercially sold. While we are striving to achieve these plans, there is no assurance that these and other strategies will be achieved or that additional funding will be obtained on favorable terms or at all. While our rate of future negative cash flow per month will vary due to the timing of expenses incurred, we expect our current cash resources will be sufficient to allow us to complete all three cohorts in our REDUX Phase II study in patients with CKD and to otherwise fund our planned operations for at least the next twelve months from the date of issuance of these financial statements. However, the amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, including enrollment in our clinical trials, the potential expansion of our current development programs, potential new development programs, and related G&A support. We may require significant additional funds earlier than we currently expect and there is no assurance that we will not need or seek additional funding prior to such time. We may elect to raise additional funds even before we need them if market conditions for raising additional capital are favorable.

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 incentive grants, and we expect to continue this practice for the foreseeable future. We do not have any existing credit facilities under which we could borrow funds. We may seek to raise additional funds through various sources, such as equity or 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 is particularly true if our clinical data is not positive or economic and market conditions deteriorate.

To the extent 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. The availability of financing will be affected by our clinical data and other 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 when needed, we may be required to scale back our operations by taking actions that may include, among other things, reducing use of outside professional service providers, reducing the number of our employees or employee compensation, or implementing other cost reduction strategies; significantly modify or delay the development of our DM199 product candidate; license to third parties the rights to commercialize our DM199 product candidate for CKD, AIS or other indications that we would otherwise seek to pursue, or otherwise relinquish significant rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us; and/or divest assets or cease operations through a merger, sale, or liquidation of our company.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements (as defined by applicable SEC regulations) that could have a current material effect or 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.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in "*Part II. Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies*," included in our annual report on Form 10-K for the fiscal year ended December 31, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (Exchange Act)) that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Despite most employees working remotely due to the COVID-19 pandemic, there was no change in our internal control over financial reporting that occurred during the three months ended September 30, 2020 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In March 2013, we entered into a clinical research agreement with Pharmaceutical Research Associates Group B.V. (PRA Netherlands) 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 Netherlands and generate a final study report. On November 14, 2017, we initiated litigation with PRA Netherlands in the United States District Court, Southern District of New York, to compel PRA Netherlands to comply with the terms of the clinical research agreement, including providing full study records and to recover damages. After PRA Netherlands objected to personal jurisdiction and venue, on August 24, 2018, we re-filed our complaint against both PRA Netherlands and its U.S. parent, PRA Health Sciences, Inc. ("PRA USA" and collectively with PRA Netherlands, PRA), in the United States District Court, District of Delaware. PRA again objected to the venue and personal jurisdiction. 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. On November 19, 2018, PRA Netherlands and PRA USA filed motions to dismiss the lawsuit. On February 20, 2019, we filed a motion seeking to transfer the Delaware action to the United States District Court, District of Minnesota. PRA Netherlands and PRA USA filed an opposition to our motion. On September 21, 2020, the District Court judge issued a ruling denying our motion to transfer indicating that DiaMedica had not met the required standards to support a venue transfer. We believe that, based upon the rationale utilized in the opinion, that the case will likely be dismissed for lack of personal jurisdiction over PRA Netherlands. We are working to obtain a final appealable judgment and are evaluating alternatives for appealing the decision at an appropriate time.

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. Other than the PRA matter noted above, we are not currently engaged in or aware of any threatened legal actions.

ITEM 1A. RISK FACTORS

Although this Item 1A is inapplicable to us as a smaller reporting company, we hereby disclose the following additional and revised risk factors, which were updated in a Current Report on Form 8-K that we filed with the SEC on August 5, 2020 in connection with our August 2020 public offering:

The COVID-19 pandemic has resulted in a delay in enrollment in our REDUX trial and will likely continue to result in enrollment delays and could also significantly disrupt in other ways our REDUX trial or other clinical trials which could delay or prevent our receipt of necessary regulatory approvals.

The COVID-19 pandemic is having a severe effect on the clinical trials of many drug candidates. Some trials have been merely delayed, while others have been cancelled. Due to actions implemented at our clinical study sites to combat the COVID-19 pandemic, we have experienced slower than expected enrollment in the first two cohorts of the REDUX clinical trial. We believe this is due to the reduction or suspension of activities at our clinical study sites as they address staff and patient safety concerns and patient concerns related to visiting clinical study sites in light of the COVID-19 pandemic. We have added two additional study sites to increase the enrollment rates in these cohorts, although no assurance can be provided that the addition of these sites will help increase enrollment. Although the enrollment rate for Cohort III has been much more rapid, which is likely due to the large population of potential subjects, no assurance can be provided that the pandemic will not also adversely affect the enrollment rate for Cohort III. We anticipate that the COVID-19 pandemic will likely continue to adversely affect our ability to recruit or enroll subjects, and we cannot provide any assurance as to when clinical sites will be able to resume enrollment in Cohorts I and II at a normal rate or any guidance at this time as to when we will complete enrollment in the study.

The extent to which the COVID-19 pandemic may impact our ongoing and planned clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration and geographic reach of the outbreak, the severity of COVID-19, and the effectiveness of actions to contain and treat COVID-19. To date, the COVID-19 pandemic has caused significant delays in the enrollment of participants. The continued spread of COVID-19 could cause us to experience additional disruptions that could severely impact our business and clinical trials, including:

- additional delays or difficulties in enrolling and/or retaining participants in our clinical trials;
- delays or difficulties in the initiation of additional clinical sites in the event that the current clinical sites are unable to recruit sufficient participants or at an acceptable rate;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials, including interruption in shipping that may affect the transport of clinical trial materials;
- changes in local regulations as part of a response to the COVID-19 pandemic, which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;
- inability of participants to comply with clinical trial protocols, impede participant movement or interrupt healthcare services;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others, or interruption of clinical trial subject visits and study procedures, the occurrence of which could affect the integrity of clinical trial data;
- risk that participants enrolled in our clinical trials will contract COVID-19 while the clinical trial is ongoing, which could result in participants dropping out of the trial, missing scheduled doses or follow-up visits or failing to follow protocol or otherwise impact the results of the clinical trial, including by increasing the number of observed adverse events;
- delays in receiving authorizations from local regulatory authorities to initiate our planned clinical trials;
- delays in necessary interactions with local regulatory authorities, ethics committees, and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees; and
- limitations in employee resources that would otherwise be focused on the conduct of our clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

As a result, the expected timeline for data readouts of our clinical trials and certain regulatory filings may be negatively impacted, which would adversely affect our ability to initiate required phase III studies, obtain regulatory approval for and to commercialize our product candidates, increase our operating expenses and have a material adverse effect on our financial results.

We have conducted and may in the future conduct clinical trials for our product candidate outside the United States, and the FDA may not accept data from such trials.

We have conducted and may in the future conduct clinical trials for our product candidate outside the United States. For example, we conducted our ReMEDy Phase II clinical trial in Australia. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of such study data by the FDA is subject to certain conditions, and there can be no assurance that the FDA will accept data from the clinical trial we conducted in Australia or clinical trials we may conduct outside the United States in the future. For example, the clinical trial must be conducted in accordance with good clinical practices (GCP) requirements, and the FDA must be able to validate the data from the clinical trial through an onsite inspection if it deems such inspection necessary. In addition, when studies are conducted only at sites outside the United States, the FDA generally does not provide advance comment on the clinical protocols for the studies, and therefore there is an additional potential risk that the FDA could determine that the study design or protocol for a non-U.S. clinical trial was inadequate, which would likely require us to conduct additional clinical trials.

If the FDA does not accept data from the clinical trial we conducted in Australia, it would likely result in the need for additional clinical trials, which would be costly and time-consuming and delay aspects of our business plan, including the development and commercial launch of our DM199 product candidate. In addition, the conduct of clinical trials outside the United States also exposes us to additional risks, including risks associated with the following:

- foreign regulatory requirements that could burden or limit our ability to conduct our clinical trials;
- administrative burdens of conducting clinical trials under multiple foreign regulatory schemes;
- foreign exchange fluctuations;
- compliance with foreign manufacturing, customs, shipment, and storage requirements;
- cultural differences in medical practice and clinical research; and
- diminished protection of intellectual property in some countries.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Equity Securities

On September 11, 2020, we issued a warrant to purchase up to 10,000 common shares at an exercise price equal to $4.00 per share to Craig-Hallum Capital Group LLC (Craig-Hallum) in consideration for certain strategic advisory services. The warrant is exercisable until October 1, 2021, unless terminated earlier pursuant to the terms thereof. The warrant includes a cashless exercise provision entitling Craig-Hallum to surrender a portion of the underlying common shares that has a value equal to the aggregate exercise price in lieu of paying cash upon exercise. The warrant was issued to Craig-Hallum in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act since the issuance did not involve a public offering, the recipient took the securities for investment and not resale, and we took appropriate measures to restrict transfer.

We did not sell any other unregistered equity securities of our company during the quarter ended September 30, 2020.

Purchases of Equity Securities by the Company

We did not purchase any common shares or other equity securities of our company during the quarter ended September 30, 2020.

Use of Proceeds from Initial Public Offering

On December 11, 2018, the SEC declared effective our registration statement on Form S-1 (File No. 333-228313), as amended, filed in connection with our initial public offering in the United States. Pursuant to the registration statement, we issued and sold an aggregate of 4,100,000 common shares in the initial public offering at a price to the public of $4.00 per share. As a result of the offering, we received gross proceeds of approximately $16.4 million, resulting in net proceeds to us of approximately $14.7 million, after deduction of underwriters' discounts and commissions and offering expenses. None of the expenses associated with the initial public offering were paid to directors, officers, persons owning ten percent or more of any class of equity securities, or to their associates, or to our affiliates. Craig-Hallum Capital Group LLC acted as the sole managing underwriter for the offering.

As of September 30, 2020, we have used all of the proceeds from our initial public offering to fund clinical development of DM199, to conduct research activities and for working capital and general corporate purposes. No payments were made by us to directors, officers or persons owning ten percent or more of our common shares or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and bonuses and to non-employee directors as compensation for board and board committee service. There has been no material change in the planned use of proceeds from our initial public offering from that described in the final prospectus, dated December 6, 2018, filed with the SEC on December 10, 2018 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On December 27, 2019, we entered into a litigation funding agreement with LEGALIST FUND II, L.P. for the purpose of funding our currently pending lawsuit against Pharmaceutical Research Associates Group B.V., which lawsuit is described in more detail under "*Part II. Other Information – Item 1. Legal Proceedings.*" Under the terms of the litigation funding agreement, the Funder agreed to pay up to an aggregate of $1.0 million to fund reasonable legal fees, court costs, and other expenses incurred by us in connection with the litigation. These payments, however, were conditioned upon the transfer of venue of the litigation from Delaware to Minnesota; and if the venue was not transferred, we were not entitled to receive any payments under the agreement. As described in more detail under "*Part II. Other Information – Item 1. Legal Proceedings*" of this report, on September 21, 2020, the United States District Court, District of Delaware, issued a ruling denying our motion to transfer the litigation indicating that we had not met the required standards to support a venue transfer. As a result of this ruling, the litigation funding agreement is terminated.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished with this quarterly report on Form 10-Q:

Exhibit No.	Description	Manner of Filing
3.1	Notice of Articles of DiaMedica Therapeutics Inc. dated May 31, 2019	Incorporated by reference to Exhibit 3.1 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 4, 2019 (File No. 001-36291)
3.2	Articles of DiaMedica Therapeutics Inc. dated May 31, 2019	Incorporated by reference to Exhibit 3.2 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 4, 2019 (File No. 001-36291)
4.1	Warrant dated September 11, 2020 issued by DiaMedica Therapeutics Inc. to Craig-Hallum Capital Group LLC	Filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	Financial statements from the quarterly report on Form 10-Q of DiaMedica Therapeutics Inc. for the quarter ended September 30, 2020, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) Condensed Consolidated Statements of Shareholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.	Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIAMEDICA THERAPEUTICS INC.

Date: November 4, 2020

/s/ Rick Pauls
Rick Pauls
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2020

/s/ Scott Kellen
Scott Kellen
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 4.1

FORM OF WARRANT

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO SUCH SECURITIES UNDER THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION THEREFROM.

THIS WARRANT IS SUBJECT TO RESTRICTIONS ON TRANSFER AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, OR HYPOTHECATED, OR BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT, OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS WARRANT OR THE SHARES ACQUIRABLE UPON EXERCISE HEREOF, OTHER THAN IN COMPLIANCE WITH THE 180 DAY LOCK-UP PERIOD OF RULE 5110(G) OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC. AND SECTION 8 HEREOF, IF APPLICABLE.

WARRANT

To Purchase
Common Shares of

DIAMEDICA THERAPEUTICS INC.

Date: September 11, 2020

THIS CERTIFIES THAT, for value received, Craig-Hallum Capital Group LLC, or its registered assigns (herein referred to as the "*Purchaser*" or "*Holder*"), is entitled to purchase from DiaMedica Therapeutics Inc., a company organized under the laws of British Columbia (herein called the "*Company*"), up to Ten Thousand (10,000) voting common shares (the "*Shares*"), without par value (the "*Common Shares*"), of the Company (subject to adjustment as noted below) at the exercise price of USD$4.00 per Share (the "*Warrant Purchase Price*") (subject to adjustment as noted below), according to the terms and subject to the conditions hereinafter set forth. This Warrant may only be exercised during the Exercise Period specified herein. This Warrant has been issued pursuant to that certain Strategic Advisory Services Agreement dated May 21, 2019, as amended by First Amendment to Strategic Advisory Services Agreement effective as of October 1, 2019, between the Company and the Purchaser (as amended, the "*Strategic Advisory Agreement*").

This Warrant is subject to the following provisions, terms and conditions:

1. The Warrant shall vest and become exercisable as follows:

Exercisable Date	Number of Shares Underlying Warrant	Cumulative Number. of Shares Underlying Warrant
October 1, 2020	2,500	2,500
January 1, 2021	2,500	5,000
April 1, 2021	2,500	7,500
July 1, 2021	2,500	10,000

and shall end on October 1, 2024 (individually and collectively the "*Exercise Period*"). In no event will the Warrant be exercisable after, and the Warrant will become void and expire as to all unexercised Shares at 5:00 p.m. Minneapolis, Minnesota time on October 1, 2024 (the "*Expiration Date*").

2. In the event any of the following events (each, a "*Termination Event*") occurs, the Warrant will remain exercisable, to the extent exercisable as of the date of such Termination Event, for a period of three (3) months after such Termination Event (but in no event after the Expiration Date) and any unvested portion of the Warrant will terminate immediately and become void.

(a) The Company or the Craig-Hallum Capital Group LLC terminates the Strategic Advisory Agreement pursuant to the terms thereof or the Strategic Advisory Agreement expires pursuant to the terms thereof;

(b) David Wambeke, Managing Director, Investment Banking, of the Purchaser is no longer employed by the Purchaser; or

(c) David Wambeke, Managing Director, Investment Banking, of the Purchaser is unable or unwilling to consistently devote one to two days per week to support services to the Company under the Strategic Advisory Agreement, as determined by the Company in its reasonable discretion.

3. The rights represented by this Warrant may be exercised, in whole or in part, by the Holder hereof on or prior to the Expiration Date as follows:

(a) The Holder hereof shall deliver to the Company written notice of exercise of this Warrant and in connection therewith shall surrender this Warrant (properly endorsed if required) at the principal office of the Company and pay the Warrant Purchase Price for such Shares as provided for herein.

(b) The Holder hereof shall pay the Warrant Purchase Price (i) in immediately available funds or (ii) if permitted under applicable securities laws, by tender of a broker exercise notice pursuant to which the Holder, upon exercise of the Warrant, irrevocably instructs a broker or dealer to sell a sufficient number of Shares to pay all or a portion of the Warrant Purchase Price of the Warrant and remit such sums to the Company and directs the Company to deliver Shares to be issued upon such "broker-assisted cashless exercise" directly to such broker or dealer or its nominee. Notwithstanding the foregoing, if at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of the Shares by the Holder under applicable securities laws (it being understood that the Company is under no obligation to file, have declared effective or maintain the effectiveness of such a registration statement or current prospectus and shall have no liability to the Holder in the event that there is no effective registration statement or current prospectus), then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which event the Company shall issue to the Holder a number of Shares determined as follows:

X = Y * [(A-B)/A]

where:

X = the number of Shares to be issued to the Holder.

Y = the total number of Shares with respect to which this Warrant is being exercised.

A = the fair market value of one Share at the time the "cashless exercise" election is made.

B = the Warrant Purchase Price then in effect for the Shares at the "cashless exercise" election is made.

For purposes of this Warrant, the fair market value of one Share as of a particular date shall be determined as follows: (i) if the Common Shares are traded on a U.S. national securities exchange, the value shall be deemed to be the average of the closing prices of the Common Shares on such exchange over the 10-Trading Day period ending on the Trading Day prior to the "cashless exercise" election; (ii) if clause (i) is not applicable, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) of the Common Shares on the principal securities exchange or securities market on which the Common Shares trade over the 10-Trading Day period ending on the Trading Day prior to the "cashless exercise" election; and (iii) if none of the foregoing is applicable, the value shall be the fair market value of one Common Share mutually agreed upon by the Holder and the Company; provided, that if the Company and the Holder are unable to agree upon the fair market value of a Common Share, then the Board of Directors of the Company shall use its good faith judgment to determine the fair market value, and such determination shall be binding upon all parties absent demonstrable error.

For purposes of this Warrant, "*Trading Day*" means any day on which the Common Shares are traded on a U.S. stock exchange or, if inapplicable, the principal securities exchange or securities market on which the Common Shares are then traded.

(c) Upon exercise of this Warrant, the Company shall promptly (but in no event later than three (3) Trading Days after the date this Warrant is exercised in accordance with its terms) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate (provided that, if the Holder directs the Company to deliver a certificate for the Shares in a name other than that of the Holder or an affiliate (as defined in Rule 405 under the Securities Act of 1933, as amended (the "*Securities Act*")) of the Holder, it shall deliver to the Company on the date of exercise an opinion of counsel reasonably satisfactory to the Company to the effect that the issuance of such Shares in such other name may be made pursuant to an available exemption from the registration requirements of the Securities Act and all applicable state securities or blue sky laws), a certificate for the Shares issuable upon such exercise or credit for such Shares through the facilities of The Depository Trust Company ("*DTC*") to the account designated by the Holder (with any restrictive legends required by applicable securities laws). The form of delivery of the Shares acquired upon exercise will be at the election of the Holder, subject to the other terms of this Warrant. The Holder, or any person permissibly so designated by the Holder to receive the Shares acquired upon exercise hereof, shall be deemed to have become the holder of record of such Shares as of the date notice of exercise and payment of the applicable Warrant Purchase Price is made in accordance with the terms hereof.

(d) If by the sixth (6th) Trading Day after the date this Warrant is exercised in accordance with this Section 3 the Company fails to deliver the required number of Shares in the manner required pursuant to Section 3(c), then, in addition to any other remedy the Holder may have at law or in equity (including a decree of specific performance or injunctive relief), the Holder hereof will have the right to rescind such exercise.

4. The Company represents and warrants that this Warrant has been duly authorized by all necessary corporate action, has been duly executed and delivered and is a legal and binding obligation of the Company, enforceable against the Company in accordance with the terms of this Warrant, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity. The Company covenants and agrees that all Shares which may be issued upon the exercise of the rights represented by this Warrant according to the terms hereof have been duly authorized and will, upon issuance and payment therefor, be validly issued and fully paid. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of its Common Shares to provide for the exercise of the rights represented by this Warrant, free from preemptive rights or other actual contingent purchase rights other than those held by a Holder of this Warrant (as a result of holding this Warrant)

5. The Company will pay any documentary stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings attributable to the issuance of Shares upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrants, or Shares issued upon exercise of this Warrant, in a name other than that of the Purchaser. The Purchaser shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Shares upon exercise hereof.

6. The above provisions are, however, subject to the following:

(a) The Warrant Purchase Price shall, from and after the date of issuance of this Warrant, be subject to adjustment from time to time as hereinafter provided. Upon each adjustment of the Warrant Purchase Price, the Holder of this Warrant shall thereafter be entitled to purchase, at the Warrant Purchase Price resulting from such adjustment, the number of Shares obtained by multiplying the Warrant Purchase Price in effect immediately prior to such adjustment by the number of Shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Warrant Purchase Price resulting from such adjustment.

(b) In case the Company shall at any time subdivide its outstanding Common Shares into a greater number of shares, the Warrant Purchase Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding Common Shares shall be combined into a smaller number of shares, the Warrant Purchase Price in effect immediately prior to such combination shall be proportionately increased.

(c) If any capital reorganization or reclassification of the capital stock of the Company, shall be effected in such a way that holders of Common Shares shall be entitled to receive stock or securities with respect to or in exchange for Common Shares, then, as a condition of such reorganization, reclassification or consolidation, lawful and adequate provision shall be made whereby the Holder hereof shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in this Warrant and in lieu of the Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock or securities as may be issued or payable with respect to or in exchange for a number of Shares equal to the number of Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby had such reorganization, reclassification or consolidation not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including without limitation provisions for adjustments of the warrant purchase price and of the number of shares purchasable upon the exercise of this Warrant) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock or securities thereafter deliverable upon the exercise hereof.

(d) Upon any adjustment of the Warrant Purchase Price or any adjustment of any material terms hereof, then and in each such case an officer of the Company shall, as soon as practicable after the occurrence of any event that requires an adjustment or readjustment, give signed written notice thereof, by first–class mail, postage prepaid, addressed to the registered Holder of this Warrant at the address of such Holder as shown on the books of the Company, which notice shall state the Warrant Purchase Price resulting from such adjustment, any material change in the terms of the Warrant, and the increase or decrease, if any, in the number of Shares purchasable at such price upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(e) If at any time during the Exercise Period:

(i) there shall be any capital reorganization, or reclassification of the capital stock of the Company; or

(ii) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of said cases, the Company shall give written notice, by first–class mail, postage prepaid, addressed to the registered Holder of this Warrant at the address of such Holder as shown on the books of the Company, of the date on which (A) the books of the Company shall close or a record shall be taken for such distribution or subscription rights, or (B) such reorganization, reclassification or consolidation, dissolution, liquidation or winding up, or conversion or redemption shall take place, as the case may be. Such notice shall also specify the date as of which the holders of capital stock of record shall participate in such distribution or subscription rights, or shall be entitled to exchange their capital stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, dissolution, liquidation or winding up, or conversion or redemption, as the case may be. Such written notice shall be given at least 15 days prior to the action in question and not less than 15 days prior to the record date or the date on which the Company's transfer books are closed in respect thereto.

(f) If any event occurs as to which, in the opinion of the Board of Directors of the Company, the other provisions of this Section 6 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of this Warrant or of the Common Shares in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such purchase rights as aforesaid.

7. This Warrant shall not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company.

8. This Warrant is exchangeable, upon the surrender hereof by the Holder hereof at the principal office of the Company, for new Warrants of like tenor representing in the aggregate the right to purchase the number of Shares which may be purchased hereunder, each of such new Warrants to represent the right to purchase such number of Shares as shall be designated by said Holder hereof at the time of such surrender. Subject to compliance with applicable securities laws and the other terms of this Warrant, this Warrant may be assigned or transferred by the Holder and this Warrant shall be binding on and inure to the benefit of the parties hereto and their respective transferees, successors and assigns. Notwithstanding the foregoing, if applicable, pursuant to Rule 5110(g) of the Financial Industry Regulatory Authority, Inc. ("*FINRA*"), this Warrant shall not be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of this Warrant or the Shares acquirable upon exercise hereof, by any person for a period of 180 days immediately following the date first noted above, except as provided in paragraph (g)(2) of Rule 5110(g) of the FINRA.

9. Each certificate for the securities purchased under this Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "*Securities Act*"), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from registration under the Securities Act and applicable state law which, in the opinion of counsel to the Company, is available."

The securities evidenced by this Warrant shall not be transferred unless and until: (i) the Company has received the opinion of counsel for the Holder that the securities may be transferred pursuant to an exemption from registration under the Securities Act and applicable state securities laws, the availability of which is established to the reasonable satisfaction of the counsel of the Company, or (ii) a registration statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission and compliance with applicable state securities law has been established.

10. The Company will not be required upon the exercise of this Warrant to issue fractions of Shares, but may, at its option, either (a) purchase such fraction for an amount in cash equal to the current value of such fraction computed on the basis of the closing market price of the Common Shares as quoted on the principal exchange or trading facility on which the Common Shares are traded on the Trading Day immediately preceding the day upon which this Warrant was surrendered for exercise in accordance with Section 3 hereof, or (b) issue the required Share. By accepting this Warrant, the Holder hereof expressly waives any right to receive any fractional share upon exercise of a Warrant, except as expressly provided in this Section 10.

11. If this Warrant is exercised for less than all of the then-current number of Shares purchasable hereunder, then the Company shall, concurrently with the issue of the Shares purchased by the Holder hereof upon such exercise in accordance with Section 3, issue a new warrant exercisable for the remaining number of Shares purchasable under this Warrant.

12. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and security reasonably satisfactory to it, the Company shall execute and deliver a new warrant of like tenor as the Warrant so lost, stolen, destroyed or mutilated.

13. This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company and the Holder agree that the prevailing party in any action or proceeding arising out of or relating to this Warrant shall be entitled to recover from the other party all of its reasonable attorneys' fees and expenses directly relating to such action or proceeding and/or incurred in connection with the preparation therefor.

14. The Company hereby irrevocably submits to the non–exclusive jurisdiction of the U.S. Federal and state courts in the Borough of Manhattan in The City of New York (each, a "*New York Court*") in any suit or proceeding arising out of or relating to this Warrant. The Company irrevocably and unconditionally waives any objection to the laying of venue of any suit or proceeding arising out of or relating to this Warrant in a New York Court, and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum. The Company irrevocably appoints DiaMedica USA Inc., located at 2 Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, Attention: President and Chief Executive Officer, as its authorized agent (the "*Authorized Agent*") upon which process may be served in any such suit or proceeding, and agrees that service of process in any manner permitted by applicable law upon such Authorized Agent shall be deemed in every respect effective service of process in any manner permitted by applicable law upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such Authorized Agent in full force and effect for a period of five years from the date of this Warrant. The Company irrevocably waives, to the fullest extent permitted by law, any and all rights to trial by jury in any legal proceeding arising out of or relating to this Warrant.

15. To the extent that the Company or any of its respective properties, assets or revenues may have or may hereafter become entitled to, or have attributed to them, any right of immunity, on the grounds of sovereignty, from any legal action, suit or proceeding, from set off or counterclaim, from the jurisdiction of any Canadian, New York State or U.S. federal court, from service of process, from attachment upon or prior to judgment, or from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any such court in which proceedings may at any time be commenced, with respect to their obligations, liabilities or any other matter under or arising out of or in connection with this Warrant, the Company hereby irrevocably and unconditionally, to the extent permitted by applicable law, waives and agrees not to plead or claim any such immunity and consents to such relief and enforcement.

16. All modifications or amendments of this Warrant shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

17. This Warrant (together with the Strategic Advisory Agreement and documents being delivered pursuant to or in connection with this Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

18. This Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Warrant or any provisions herein contained.

[*The remainder of this page has intentionally been left blank.*]

IN WITNESS WHEREOF, DiaMedica Therapeutics Inc. has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of the date set forth above.

DiaMedica Therapeutics Inc.

By: /s/ Scott Kellen
Name: Scott Kellen
Title: Chief Financial Officer

Acknowledged and agreed:

Craig-Hallum Capital Group LLC

By: /s/ Rick Hartfiel
Name: Rick Hartfiel
Title: Head of Investment Banking

WARRANT EXERCISE FORM

To be Executed by the Holder of this Warrant if such Holder Desires to Exercise this Warrant in Whole or in Part

To: DiaMedica Therapeutics Inc. (the "Company")

The undersigned _____

Please insert Social Security or other identifying number of Holder:

_____

hereby irrevocably elects to exercise the right of purchase represented by this Warrant for, and to purchase thereunder, _____ Common Shares (the "Shares") provided for therein.

Payment of the Warrant Purchase Price for the Shares shall take the form of [Check the applicable box below]:

☐ Immediately available U.S. funds;

☐ if permitted under the terms of the Warrant, the tender of a "broker-assisted cashless exercise" notice as set forth in Section 3(b) of the Warrant; or

☐ if permitted under the terms of the Warrant, the cancellation of such number of Shares as is necessary to satisfy the Warrant Purchase Price with respect to the exercise of the number of Shares set forth above in accordance with the "cashless exercise " formula set forth in Section 3(b) of the Warrant.

The undersigned requests that such Shares be registered in the name of the undersigned or in such other name specified below:

Name: _____

The Shares shall be delivered as follows:

_____

_____

_____

and, if such number of Shares does not constitute all shares purchasable under the Warrant, that a new Warrant for the balance remaining of such shares be registered in the name of, and delivered to, the undersigned at the address stated above.

Unless the undersigned has selected under the terms of the Warrant one of the "cashless exercise" options provided for in Section 3(b) of the Warrant, the undersigned hereby represents and warrants that the undersigned is acquiring the Shares for its own account for investment purposes only, and not for resale or with a view to distribution of such shares or any part thereof.

Dated: _____

Name of Holder: _____

Signature _____

Title _____

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Rick Pauls, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiaMedica Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2020

/s/ Rick Pauls
Rick Pauls
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Kellen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiaMedica Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2020

By: /s/ Scott Kellen
Scott Kellen
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Rick Pauls, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of DiaMedica Therapeutics Inc. for the quarter ended September 30, 2020 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of DiaMedica Therapeutics Inc.

Dated: November 4, 2020

/s/ Rick Pauls
Rick Pauls
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Kellen, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of DiaMedica Therapeutics Inc. for the quarter ended September 30, 2020 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of DiaMedica Therapeutics Inc.

Dated: November 4, 2020

/s/ Scott Kellen
Scott Kellen
Chief Financial Officer
(Principal Financial Officer)