DiaMedica THERAPEUTICS

2021 Annual Report & 2022 AGM Proxy Statement

Dear Shareholders,

For the second year, during 2021, the world has had to deal with the COVID-19 pandemic and its heavy burden on healthcare providers in our healthcare systems. There is no question this was another extraordinary year, and the challenges continuing to face the healthcare system were felt in clinical trial research. But even in this difficult environment, our people came together and stayed true to our mission of advancing DM199 through the clinical process. While we're proud of the goals and milestones we achieved during 2021, we know that we have much more work to do that, in the end, we believe will improve the lives of millions of people.

Since January 2021, the U.S. biotech sector, including both large and small companies, has been highly volatile. Despite this volatility, 40% of new medicines have emerged from biotech companies with 50 or fewer employees. Against this background, DiaMedica has doubled down on our efforts to advance our clinical programs, and we now believe we're at a tipping point in achieving our development goals. We strengthened our leadership team by bringing in new executives and board members with specific experience in the stroke field. Joining our Board of Directors last year were Charles Semba, MD., Chief Medical Officer of Eluminex Biosciences, and Amy Burroughs, currently President and Chief Executive Officer of Cleave Therapeutics, Inc. Charles has over 20 years of drug development experience, including at Genentech, where he provided the strategic direction for Activase® (a tissue plasminogen activator (tPA)) for acute ischemic stroke, and Amy has over 25 years of experience in drug development and commercial planning for specialty biopharmaceuticals. We expanded our senior management team by hiring Kirsten Gruis, M.D. as our Chief Medical Officer and Dominic Cundari as our Chief Commercial Officer. Kirsten has 20 years of experience in clinical medicine and drug development at both small and large biopharmaceutical companies, including as Head of the Neuromuscular Franchise at Roche. Dom has over 30 years of experience at Genentech, where he led the product launch of Activase (tPA) for acute ischemic stroke. Dom's stated goal for joining our team was to help usher in a product that could potentially increase the treatment window for ischemic stroke patients from 4 hours to 24 hours providing an opportunity to advance stroke care to significantly more patients.

Progress in clinical development is by no means a straight line. That said, we remain laser focused on advancing our ReMEDy2 Phase 2/3 trial of DM199 in patients suffering from acute ischemic stroke (AIS). Key developments during 2021 include:

1. The U.S. Food and Drug Administration (FDA) granted DiaMedica "Fast Track" designation for stroke recovery.
2. The FDA accepted our protocol amendment adding the evaluation of the rate of stroke recurrence as a secondary independent primary endpoint. Note that ~15% of stroke victims have a second stroke within 90 days of their initial stroke.
3. We initiated the first study site and commenced enrollment.

We added stroke recurrence to the ReMEDy2 trial as a separate, independent, primary endpoint and is based on the results observed in our prior ReMEDy1 Phase 2 study of DM199 in AIS. During the 90-day follow-up period in that study, recurrent ischemic stroke occurred in 6 patients (13.3%; N=45) of the placebo arm versus none in the DM199 arm (0%; N=46) (p=0.012). Moreover, 4 (66%) of the recurrent strokes in the placebo arm were fatal. When excluding patients pre-treated with mechanical thrombectomy, which is the group that most closely resembles the target patient population in ReMEDy2, recurrent ischemic stroke occurred in 4 patients (19.0%; N=21) of the placebo arm, all of which were fatal, versus none in the DM199 arm (0%; N=25) (p=0.037).

We believe acute ischemic stroke provides us the quickest path to market for DM199. Therefore, we remain strongly focused on advancing the ReMEDy2 trial.

Turning to our study of DM199 in chronic kidney disease (CKD), enrollment in our Phase 2 REDUX basket trial of DM199 in CKD was completed as of the end of 2021. DM199 continues to be generally safe and well tolerated in these patients. During 2022, we intend to complete the patient follow-ups, finalize the data and prepare the analysis of the final results. We expect that the final data will be consistent with the interim data, which was presented at the American Society of Nephrology's annual Kidney Week meeting in November 2021, and included some clinically significant signals in patients at a moderate to severe stage of CKD.

In the IgA Nephropathy (IgAN) cohort, we observed a statistically significant reductions of over 30% in albuminuria and encouraging reductions in IgAN biomarkers which may represent a disease modifying response. The hypertensive African American cohort demonstrated a clinically meaningful reduction of over 50% in albuminuria and large reductions in both systolic and diastolic blood pressure. Reducing albuminuria is important in that it is recognized by the FDA as a surrogate clinical endpoint indicating a slowing of kidney disease progression. The sizeable decreases in albuminuria, reductions in IgAN biomarkers and blood pressure in hypertensive patients causes us to believe strongly that while our near term focus remains on our pivotal stroke program, CKD represents an important development opportunity for DM199.

We remain committed to pursuing our long-term strategy of improving patient care for people suffering from serious conditions with unmet needs. We entered 2022 with a strong balance sheet and look forward to continuing to navigate the pandemic challenges and executing on our ReMEDy2 trial. Our entire team is dedicated to this effort.

We would like to thank our team for their hard work and dedication and our shareholders for their support. We are proud of our exceptional talent and the collaborative culture being built at DiaMedica Therapeutics.

With warm regards,

Rick Pauls
President and Chief Executive Officer

Richard Pilnik
Chairman of the Board

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

May 18, 2022

The Annual General Meeting of Shareholders of DiaMedica Therapeutics Inc., a corporation existing under the laws of British Columbia, will be held at our corporate offices located at Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, USA, beginning at 1:00 p.m., Central Daylight Savings Time, on Wednesday, May 18, 2022, for the following purposes:

1. To receive the audited consolidated financial statements of DiaMedica Therapeutics Inc. for the financial year ended December 31, 2021 and accompanying report of the independent registered public accounting firm (for discussion only).
2. To elect six persons to serve as directors until our next annual general meeting of shareholders or until their respective successors are elected and qualified (Voting Proposal One).
3. To consider a proposal to appoint Baker Tilly US, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2022 and to authorize the Board of Directors to fix our independent registered public accounting firm's remuneration (Voting Proposal Two).
4. To consider a proposal to approve the DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan (Voting Proposal Three).
5. To transact such other business as may properly come before the meeting or any adjournment of the meeting.

Only those shareholders of record at the close of business on March 22, 2022 will be entitled to notice of, and to vote at, the meeting and any adjournments thereof. A shareholder list will be available at our corporate offices beginning April 5, 2022 during normal business hours for examination by any shareholder registered on our common share ledger as of the record date, March 22, 2022, for any purpose germane to the meeting.

By Order of the Board of Directors,

Scott Kellen
Corporate Secretary

April 5, 2022
Minneapolis, Minnesota

Important: Whether or not you expect to attend the meeting in person, please vote by the Internet or telephone, or request a paper proxy card to sign, date and return by mail so that your shares may be voted. A prompt response is helpful and your cooperation is appreciated.

*** As part of our precautions regarding the COVID-19 pandemic, we are planning for the possibility that the Annual General Meeting may be held at a different venue or solely by means of virtual communication. If we take this step, we will publicly announce the decision to do so in advance, and details on how to participate will be posted on our website at https://www.diamedica.com and filed with the SEC as additional proxy materials. If we hold the Annual General Meeting in person, we plan to follow social distancing, may limit non-shareholders attendance and will follow any other safety protocols if required in accordance with federal, state and local guidance.**

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DiaMedica Therapeutics Inc. is sometimes referred to as “DiaMedica,” “we,” “our” or “us” in this proxy statement.

The Annual General Meeting of Shareholders to be held on May 18, 2022 is sometimes referred to as the “Annual General Meeting” or “meeting” in this proxy statement.

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 is sometimes referred to as our “Annual Report to Shareholders” or “2021 Annual Report” in this proxy statement.

Our voting common shares, no par value, are sometimes referred to as our “common shares” or “shares” in this proxy statement.

All dollar amounts in this proxy statement are expressed in United States currency unless otherwise noted.

PROXY STATEMENT SUMMARY

This summary provides an overview of the information included in this proxy statement. We recommend that you review the entire proxy statement and our Annual Report to Shareholders before voting.

2022 ANNUAL GENERAL MEETING OF SHAREHOLDERS

DATE AND TIME

Wednesday, May 18, 2022
1:00 p.m. (CDT)

LOCATION*

DiaMedica Therapeutics Inc.
Two Carlson Parkway, Suite 260
Minneapolis, MN 55447

RECORD DATE

Holders of record of our common shares at the close of business on **March 22, 2022** are entitled to notice of, to attend, and to vote at the 2022 Annual General Meeting.

Voting Item	Board's Vote Recommendation	Page
Voting Proposal No. 1: Election of Directors	**FOR**	10
Voting Proposal No. 2: Appointment of Independent Registered Public Accounting Firm and Authorization to Fix Remuneration	**FOR**	15
Voting Proposal No. 3: DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan	**FOR**	17

*** As part of our precautions regarding the COVID-19 pandemic, we are planning for the possibility that the Annual General Meeting may be held at a different venue or solely by means of virtual communication. If we take this step, we will publicly announce the decision to do so in advance, and details on how to participate will be posted on our website at https://www.diamedica.com and filed with the SEC as additional proxy materials. If we hold the Annual General Meeting in person, we plan to follow social distancing, may limit non-shareholder attendance and will follow any other safety protocols if required in accordance with federal, state and local guidance.**

INTERNET AVAILABILITY OF PROXY MATERIALS

Instead of mailing a printed copy of our proxy materials, including our Annual Report to Shareholders, to each shareholder of record, we have provided access to these materials in a fast and efficient manner via the Internet. We believe that this process expedites your receipt of our proxy materials, lowers the costs of our meeting and reduces the environmental impact of our meeting. On or about April 5, 2022, we expect to begin mailing a Notice of Internet Availability of Proxy Materials to shareholders of record as of March 22, 2022 and post our proxy materials on the website referenced in the Notice of Internet Availability of Proxy Materials (www.proxyvote.com). As more fully described in the Notice of Internet Availability of Proxy Materials, shareholders may choose to access our proxy materials at www.proxyvote.com or may request proxy materials in printed or electronic form. In addition, the Notice of Internet Availability of Proxy Materials and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. For those who previously requested printed proxy materials or electronic materials on an ongoing basis, you will receive those materials as you previously requested.

Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting of Shareholders to be Held on May 18, 2022: The Notice of Annual General Meeting of Shareholders and Proxy Statement and Annual Report to Shareholders, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 are available at www.proxyvote.com.

2021 BUSINESS HIGHLIGHTS

Below are highlights of our recent and 2021 clinical, financial and other achievements.

Clinical – Acute Ischemic Stroke Well-Defined Pathway for Acute Ischemic Stroke (AIS)	The U.S. Food and Drug Administration (FDA) accepted our Investigational New Drug application for our pivotal ReMEDy2 Phase 2/3 trial of DM199 for AIS and subsequently accepted and concluded that we may proceed with the proposed clinical investigation using our amended protocol adding stroke recurrence as a second independent primary endpoint. We commenced the trial by beginning site initiations and dosing our first patient during 2021.
Fast Track Designation	The FDA granted Fast Track Designation to DM199 for the treatment of AIS where tissue plasminogen activator and/or mechanical thrombectomy are not indicated or medically appropriate. This provides opportunities to engage collaboratively with the FDA to further the clinical development and future regulatory review of DM199 for the treatment of AIS.
Clinical – Chronic Kidney Disease REDUX Phase 2 Trial Data Announced – Chronic Kidney Disease (CKD)	In June 2021, we announced interim results from our Phase 2 REDUX trial of DM199 in CKD and additional interim results in November 2021. In the IgA Nephropathy (IgAN) cohort, in addition to continuing to show statistically significant reductions (over 30% decrease) in albuminuria in participants with moderate to severe baseline albuminuria, the trial also demonstrated early signals of potential disease modification with the APRIL and IgA1 biomarkers decreasing 35% and 22%, respectively. In the African American cohort, participants were hypertensive with CKD and non-diabetic. Patients with moderate to severe baseline albuminuria saw an over 50% reduction in albuminuria and improvements in eGFR and blood pressure. Enrollment in REDUX has been completed and the Company is working to finalize the study data set, complete the statistical analysis and determine next steps.
Financial $30 Million Private Placement	In September 2021, we completed a $30 million private placement, resulting in net proceeds of $29.8 million, which strengthened our balance sheet and provided us with the resources to reach key clinical milestones in our ReMEDy2 trial.
Management Elected Two Industry Veterans to our Board	In July 2021, we announced the election of Amy Burroughs, President and CEO of Cleave Therapeutics, and Dr. Charles Semba, Chief Medical Officer of Eluminex Biosciences, to our Board. Ms. Burroughs and Dr Semba together have more than 40 years of industry experience.
Appointed Chief Medical Officer	In January 2022, we announced the appointment of Kirsten Gruis, M.D. as Chief Medical Officer. Dr. Gruis is a board-certified neurologist with 20 years of experience in both clinical medicine and drug development in large and small biopharmaceutical companies. Her experience will be critical to our company as we advance our ReMEDy2 trial.
Appointed Chief Commercial Officer	In February 2022, we announced the appointment of Dominic Cundari as Chief Commercial Officer. Mr. Cundari has spent over 30 years launching innovative products and building and managing commercial organizations in multiple therapeutic areas. His experience will be critical to our planning for potential partnerships and commercialization of DM199.

CORPORATE GOVERNANCE HIGHLIGHTS

- ✓ Annual election of directors
- ✓ Majority of independent directors
- ✓ Independent Board Chairman
- ✓ Three fully independent Board committees
- ✓ Corporate governance guidelines
- ✓ Annual review of governance documents
- ✓ Regular executive sessions
- ✓ No conflicts of interest
- ✓ Access to independent advisors
- ✓ Independent compensation consultant
- ✓ No guaranteed bonuses
- ✓ No perquisites

BOARD OF DIRECTORS NOMINEES

Below are the director nominees for election by shareholders at the 2022 Annual General Meeting of Shareholders for a one-year term. All director nominees listed below served during the fiscal year ended December 31, 2021.

Director	Age	Serving Since	Independent
Amy Burroughs	51	2021	Yes
Michael Giuffre, M.D.	66	2010	Yes
James Parsons	56	2015	Yes
Rick Pauls	50	2005	No
Richard Pilnik	64	2009	Yes
Charles Semba, M.D.	62	2021	Yes

The Board of Directors recommends a vote "**FOR**" each of these six nominees.

BOARD COMMITTEE COMPOSITION

The Board of Directors maintains a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

Below are our current directors and their Board committee memberships.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Independent Director (Y/N)
Amy Burroughs	●		●	Y
Michael Giuffre, M.D.		Chair	●	Y
James Parsons	Chair	●		Y
Rick Pauls				N
Richard Pilnik	●		Chair	Y
Charles Semba, M.D.	●	●		Y

KEY QUALIFICATIONS

The following are some key qualifications, skills, and experiences of our Board of Directors.

- Leadership/Management
- Prior Board Experience
- Financial Expertise
- Regulatory Expertise
- Business Development Experience
- Biopharmaceutical Industry Expertise

EXECUTIVE COMPENSATION BEST PRACTICES

Our compensation practices include many best practices that support our executive compensation objectives and principles and benefit our shareholders.

What We Do:	What We Don't Do:
• Emphasize pay for performance • Structure our executive compensation so a significant portion of pay is at risk • Structure our executive compensation so a significant portion is paid in equity • Maintain competitive pay packages	• No guaranteed salary increases or bonuses • No repricing of stock options unless approved by shareholders • No pledging or hedging of DiaMedica securities • No perquisites

HOW WE PAY

Our executive compensation program consists of the following principal elements which are described in more detail below under "*Executive Compensation—Executive Compensation Overview—Elements of Our Executive Compensation Program*":

- Base salary – a fixed amount, paid in cash and reviewed annually and, if appropriate, adjusted.
- Short-term incentive – a variable, short-term element that is payable in cash and is based on annual corporate performance objectives and individual performance objectives.
- Long-term incentive – a variable, long-term element that is provided in stock options.

2021 EXECUTIVE COMPENSATION ACTIONS

2021 compensation actions and incentive plan outcomes based on performance are summarized below:

Element	Key 2021 Actions
Base Salary	Our CEO received a base salary increase of 10%, and our other named executive officers received base salary increases of 7% to move toward our target positioning in our peer group.
Short-Term Incentive	We increased our CFO's and Senior Vice President of Clinical Operations' target incentive percentages under our short-term incentive plan to 40% and 35% of their base salaries, respectively, in order to align STI compensation to our target positioning in our peer group.
Long-Term Incentive	Our named executive officers received stock option awards, which vest quarterly over four years. Later in 2021, we changed our employee option vesting to 25% on the one-year anniversary of the grant date and the remaining 75% vesting in 36 equal monthly amounts beginning one month after the one-year anniversary.
Other Compensation	No changes were made to other components of our executive compensation program.

Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447

PROXY STATEMENT FOR
ANNUAL GENERAL MEETING OF SHAREHOLDERS
May 18, 2022

The Board of Directors of DiaMedica Therapeutics Inc. is soliciting your proxy for use at the 2022 Annual General Meeting of Shareholders to be held on Wednesday, May 18, 2022. The Board of Directors expects to make available to our shareholders beginning on or about April 5, 2022 the Notice of Annual General Meeting of Shareholders, this proxy statement and a form of proxy on the Internet or have these materials sent to shareholders of DiaMedica upon their request.

GENERAL INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING

Date, Time, Place and Purposes of Meeting

The Annual General Meeting of Shareholders of DiaMedica Therapeutics Inc. will be held on Wednesday, May 18, 2022, at 1:00 p.m., Central Daylight Savings Time, at our corporate offices located at Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, USA, for the purposes set forth in the Notice of Annual General Meeting of Shareholders.

As part of our precautions regarding the COVID-19 pandemic, we are planning for the possibility that the Annual General Meeting may be held at a different venue or solely by means of virtual communication. If we take this step, we will publicly announce the decision to do so in advance, and details on how to participate will be posted on our website at https://www.diamedica.com and filed with the Securities and Exchange Commission (SEC) as additional proxy materials. If we hold the Annual General Meeting in person, we plan to follow social distancing, may limit non-shareholder attendance and will follow any other safety protocols if required in accordance with federal, state and local guidance.

Who Can Vote

Shareholders of record at the close of business on March 22, 2022 will be entitled to notice of and to vote at the Annual General Meeting or any adjournment thereof. As of that date, there were 26,443,067 common shares outstanding. Each common share is entitled to one vote on each matter to be voted on at the Annual General Meeting. Shareholders are not entitled to cumulate voting rights.

How You Can Vote

Your vote is important. Whether you hold shares directly as a shareholder of record or beneficially in "street name" (through a broker, bank or other nominee), you may vote your shares without attending the

meeting. You may vote by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker, bank or other nominee.

If you are a registered shareholder whose shares are registered in your name, you may vote your shares in person at the meeting or by one of the three following methods:

- **Vote by Internet**, by going to the website address http://www.proxyvote.com and following the instructions for Internet voting shown on the Notice of Internet Availability of Proxy Materials or on your proxy card.
- **Vote by Telephone**, by dialing 1-800-690-6903 and following the instructions for telephone voting shown on the Notice of Internet Availability of Proxy Materials or on your proxy card.
- **Vote by Proxy Card**, by completing, signing, dating and mailing the enclosed proxy card in the envelope provided if you received a paper copy of these proxy materials.

If you vote by Internet or telephone, please do not mail your proxy card.

If your shares are held in "street name" (through a broker, bank or other nominee), you may receive a separate voting instruction form with this proxy statement or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the Internet or telephone.

The deadline for voting by telephone or by using the Internet is 11:59 p.m., Eastern Daylight Savings Time (10:59 p.m., Central Daylight Savings Time), on May 17, 2022, the day before the meeting. Please see the Notice of Internet Availability of Proxy Materials, your proxy card or the information your bank, broker or other nominee provided to you for more information on your options for voting.

If you return your signed proxy card or use Internet or telephone voting before the meeting, the named proxies will vote your shares as you direct. You have multiple choices on each matter to be voted on as follows:

For Voting Proposal One—Election of Directors, you may:

- Vote **FOR** all six nominees for director or
- **WITHHOLD** your vote from one or more of the six nominees for director.

For Voting Proposal Two—Appointment of Baker Tilly US, LLP as our Independent Registered Public Accounting Firm and Authorization to Fix Remuneration, you may:

- Vote **FOR** the proposal,
- **WITHHOLD** your vote from the proposal or
- **ABSTAIN** from voting on the proposal.

For Voting Proposal Three—Approval of DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan, you may:

- Vote **FOR** the proposal,
- **WITHHOLD** your vote from the proposal or
- **ABSTAIN** from voting on the proposal.

If you send in your proxy card or use Internet or telephone voting, but do not specify how you want to vote your shares, the proxies will vote your shares **FOR** all six of the nominees for election to the Board of Directors in Voting Proposal One—Election of Directors, **FOR** Voting Proposal Two—Appointment of Baker Tilly US, LLP as our Independent Registered Public Accounting Firm and Authorization to Fix Remuneration, and **FOR** Voting Proposal Three—Approval of DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan.

How Does the Board of Directors Recommend that You Vote

The Board of Directors unanimously recommends that you vote:

- **FOR** all six of the nominees for election to the Board of Directors in Voting Proposal One—Election of Directors;
- **FOR** Voting Proposal Two—Appointment of Baker Tilly US, LLP as our Independent Registered Public Accounting Firm and Authorization to Fix Remuneration; and
- **FOR** Voting Proposal Three—Approval of DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan.

How You May Change Your Vote or Revoke Your Proxy

If you are a shareholder whose shares are registered in your name, you may revoke your proxy at any time before it is voted at the Annual General Meeting of Shareholders by one of the following methods:

- Submitting another proper proxy with a more recent date than that of the proxy first given by following the Internet or telephone voting instructions or completing, signing, dating and returning a proxy card to us;
- Sending written notice of your revocation to our Corporate Secretary; or
- Attending the meeting and voting by ballot.

Quorum Requirement

The quorum for the transaction of business at the meeting is any number of shareholders who, in the aggregate, hold at least 33 and 1/3% of our issued common shares entitled to be voted at the meeting or 8,814,356 common shares. In general, our common shares represented by proxies marked "For," "Abstain" or "Withheld" are counted in determining whether a quorum is present. In addition, a "broker non-vote" is counted in determining whether a quorum is present. A "broker non-vote" is a proxy returned by a broker on behalf of its beneficial owner customer that is not voted on a particular matter because voting instructions have not been received by the broker from the customer and the broker has no discretionary authority to vote on behalf of such customer on such matter.

Vote Required

If your shares are held in "street name" and you do not indicate how you wish to vote, your broker is permitted to exercise its discretion to vote your shares only on certain "routine" matters.

Voting Proposal One—Election of Directors is not a "routine" matter. Accordingly, if you do not direct your broker how to vote, your broker may not exercise discretion and may not vote your shares on this proposal. This is called a "broker non-vote" and although your shares will be considered to be represented by proxy at the meeting, they will not be considered to be "votes cast" at the meeting and will not be counted as having been voted on the proposal.

Voting Proposal Two—Appointment of Baker Tilly US, LLP as our Independent Registered Public Accounting Firm and Authorization to Fix Remuneration is a "routine" matter and, as such, your broker is permitted to exercise its discretion to vote your shares for or withhold your vote from the proposal in the absence of your instruction.

Voting Proposal Three—Approval of DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan is not a "routine" matter. Accordingly, if you do not direct your broker how to vote, your broker may not exercise discretion and may not vote your shares on this proposal. This is called a "broker non-vote" and although your shares will be considered to be represented by proxy at the meeting, they will not be considered to be "votes cast" at the meeting and will not be counted as having been voted on the proposal.

The table below indicates the vote required for each voting proposal and the effect of any votes withheld, abstentions and broker non-votes.

Voting Proposal	Votes Required	Effect of Votes Withheld	Effect of Abstentions	Effect of Broker Non-Votes
Voting Proposal One: Election of Directors	Affirmative vote of a majority of votes cast on the voting proposal.	Votes withheld will have no effect.	Abstentions will have no effect.	Broker non-votes will have no effect.
Voting Proposal Two: Appointment of Independent Registered Public Accounting Firm and Authorization to Fix Remuneration	Affirmative vote of a majority of votes cast on the voting proposal.	Votes withheld will have no effect.	Abstentions will have no effect.	We do not expect any broker non-votes on this proposal.
Voting Proposal Three: Approval of DiaMedica Therapeutics Amended and Restated 2019 Omnibus Incentive Plan	Affirmative vote of a majority of votes cast on the voting proposal.	Votes withheld will have no effect.	Abstentions will have no effect.	Broker non-votes will have no effect.

Appointment of Proxyholders

The persons named in the accompanying proxy card are officers of DiaMedica.

A shareholder has the right to appoint a person or company to attend and act for the shareholder and on that shareholder's behalf at the meeting other than the persons designated in the enclosed proxy card. A shareholder wishing to exercise this right should strike out the names now designated in the enclosed proxy card and insert the name of the desired person or company in the blank space provided. The desired person need not be a shareholder of DiaMedica.

Only a registered shareholder at the close of business on March 22, 2022 will be entitled to vote, or grant proxies to vote, his, her or its common shares, as applicable, at the meeting.

If your common shares are registered in your name, then you are a registered shareholder. However, if, like most shareholders, you keep your common shares in a brokerage account, then you are a beneficial shareholder. The process for voting is different for registered shareholders and beneficial shareholders. Registered shareholders and beneficial shareholders should carefully read the instructions herein if they wish to vote their common shares at the meeting.

Other Business

Our management does not intend to present other items of business and knows of no items of business that are likely to be brought before the meeting, except those described in this proxy statement. However, if any other matters should properly come before the meeting, the persons named on the proxy card will have discretionary authority to vote such proxy in accordance with their best judgment on the matters.

Procedures at the Meeting

The presiding officer at the meeting will determine how business at the meeting will be conducted. Only matters brought before the meeting in accordance with our Articles will be considered. Only a natural person present at the meeting who is either one of our shareholders, or is acting on behalf of one of our shareholders, may make a motion or second a motion. A person acting on behalf of a shareholder must present a written statement executed by the shareholder or the duly-authorized representative of the shareholder on whose behalf the person purports to act.

Householding of Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements, annual reports and the Notice of Internet Availability of Proxy Materials. This means that only one copy of this proxy statement, our Annual Report to Shareholders or the Notice of Internet Availability of Proxy Materials may have been sent to each household even though multiple shareholders are present in the household, unless contrary instructions have been received. We will promptly deliver a separate copy of any of these documents to any shareholder upon written or oral request to Corporate Secretary, DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, telephone: (763) 312-6755. Any shareholder who wants to receive separate copies of this proxy statement, our Annual Report to Shareholders or the Notice of Internet Availability of Proxy Materials in the future, or any shareholder who is receiving multiple copies and would like to receive only one copy per household, should contact the shareholder's bank, broker or other nominee record holder, or the shareholder may contact us at the above address and telephone number.

Proxy Solicitation Costs

The cost of soliciting proxies, including the preparation, assembly, electronic availability and mailing of proxies and soliciting material, as well as the cost of making available or forwarding this material to the beneficial owners of our common shares will be borne by DiaMedica. Our directors, officers and regular employees may, without compensation other than their regular compensation, solicit proxies by telephone, e-mail, facsimile or personal conversation. We may reimburse brokerage firms and others for expenses in making available or forwarding solicitation materials to the beneficial owners of our common shares.

VOTING PROPOSAL ONE—ELECTION OF DIRECTORS

Board Size and Structure

Our Articles provide that the Board of Directors will consist of at least three members. The Board of Directors has fixed the number of directors at six. The Board of Directors currently consists of six directors.

Information about Current Directors and Board Nominees

The Board of Directors has nominated the following six individuals to serve as our directors until the next annual general meeting of shareholders or until their respective successors are elected and qualified. All of the nominees named below are current members of the Board of Directors.

The following table sets forth as of March 22, 2022 the name, age and position of each current director and each individual who has been nominated by the Board of Directors to serve as a director of our company:

Name	Age	Position
Amy Burroughs[(1)(2)(4)]	51	Director
Michael Giuffre, M.D.[(1)(3)(4)]	66	Director
James Parsons[(1)(2)(3)]	56	Director
Rick Pauls	50	President and Chief Executive Officer, Director
Richard Pilnik[(1)(2)(4)]	65	Chairman of the Board
Charles Semba, M.D.[(1)(2)(3)]	62	Director

(1) Independent Director
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Member of the Nominating and Corporate Governance Committee

The principal occupations and recent employment history of each of our directors are set forth below.

Additional Information about Current Directors and Board Nominees

The following paragraphs provide information about each current director and nominee for director, including all positions held, principal occupation and business experience for the past five years, and the names of other publicly-held companies of which the director or nominee currently serves as a director or has served as a director during the past five years. We believe that all of our directors and nominees display personal and professional integrity; satisfactory levels of education and/or business experience; broad-based business acumen; an appropriate level of understanding of our business and its industry and other industries relevant to our business; the ability and willingness to devote adequate time to the work of the Board of Directors and its committees; a fit of skills and personality with those of our other directors that helps build a board that is effective, collegial and responsive to the needs of our company; strategic thinking and a willingness to share ideas; a diversity of experiences, expertise and background; and the ability to represent the interests of all of our shareholders. The information presented below regarding each director and nominee also sets forth specific experience, qualifications, attributes and skills that led the Board of Directors to the conclusion that such individual should serve as a director in light of our business and structure.

Amy Burroughs has served as a member of the Board of Directors since July 2021. Ms. Burroughs has over 25 years of experience in drug development and commercial planning for specialty biopharmaceuticals. Since April 2019, Ms. Burroughs has served as Director, President and Chief Executive Officer of Cleave Therapeutics, Inc., a biopharmaceutical company focused on valosin-containing protein as a novel target in oncology and neurodegenerative diseases. From December 2017 to March 2019, Ms. Burroughs served as Executive in Residence at 5AM Ventures, a leading venture capital firm focused on building next-generation life science companies, and from March 2018 to April 2019, Ms. Burroughs served as Senior Advisor to Crinetics Pharmaceuticals, a 5AM portfolio company focused on the development of therapies for people with rare endocrine diseases. From May 2015 to December 2017, Ms. Burroughs served as founder and managing partner of The Ventral Group, a strategic life sciences consulting and investor advisory firm which worked with a variety of companies in the pharmaceutical and healthcare industries. Roles earlier in Ms. Burroughs' career included leadership development, talent and governance at Egon Zehnder International, chief commercial officer and head of business development for APT Pharmaceuticals, commercial leadership roles at Genentech and brand management at Procter & Gamble. Ms. Burroughs holds a Bachelor of Arts in Computer Science and a minor in Economics from Dartmouth College and an MBA from Harvard Business School where she graduated as a Baker Scholar. Ms. Burroughs is currently a resident of Oregon, USA.

We believe that Ms. Burroughs's experience in the pharmaceutical and healthcare industries, particularly in drug development and commercial planning for specialty biopharmaceuticals, enable her to make valuable contributions to the Board of Directors.

Michael Giuffre, M.D. has served as a member of the Board of Directors since August 2010. Since July 2009, Dr. Giuffre has served as a Clinical Professor of Cardiac Sciences and Pediatrics at the University of Calgary and has had an extensive portfolio of clinical practice, cardiovascular research and university teaching. Dr. Giuffre is actively involved in health care delivery, medical leadership and in the biotechnology business sector. From 2012 to October 2019, Dr. Giuffre served as Chief Scientific Officer and President of FoodChek Laboratory, a global developer and provider of proprietary rapid and accurate food safety tests for the detection of foodborne and environmental pathogens and other microorganisms, and also as a member of the board of directors of FoodChek Systems Inc. From November 2017 to October 2019, he served as FoodChek Systems Inc.'s Chairman of the Board. Dr. Giuffre previously served on the board of directors of the Canadian Medical Association (CMA), Unicef Canada, the Alberta Medical Association (AMA), Can-Cal Resources Ltd, Vacci-Test Corporation, IC2E International Inc., MedMira Inc. and Brightsquid Dental, Inc. Dr. Giuffre has received a Certified and Registered Appointment and a Distinguished Fellow appointment by the American Academy of Cardiology. In 2005, he was awarded Physician of the Year by the Calgary Medical Society and in 2017 was "Mentor of the Year" for the Royal College of Physicians and Surgeons of Canada. Dr. Giuffre was also a former President of the AMA and the Calgary and Area Physicians Association and also a past representative to the board of the Calgary Health Region. Dr. Giuffre holds a Bachelor of Science in cellular and microbial biology, a Ph.D. candidacy in molecular virology, an M.D. and an M.B.A. He is Canadian Royal College board certified FRCPS in specialties that include Pediatrics and Pediatric Cardiology and has a subspecialty in Pediatric Cardiac Electrophysiology. Dr. Giuffre is currently a member of the board of directors of Avenue Living (AL) Asset Management, a private real estate company in Alberta, Canada and its affiliates, AL Real Estate Opportunity Trust and AgriSelect Trust. Dr. Giuffre is currently a resident of Alberta, Canada.

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

James Parsons has served as a member of the Board of Directors since October 2015. Previously, Mr. Parsons served as our Vice President of Finance from October 2010 until May 2014. Mr. Parsons served as Chief Financial Officer and Corporate Secretary of Trillium Therapeutics Inc., a Nasdaq-listed

immuno-oncology company, from August 2011 until its acquisition by Pfizer in November 2021, at which time he became employed by Pfizer Canada ULC until March 2022. Mr. Parsons serves as a member of the board of directors and audit committee chair of Sernova Corp., which is listed on the TSX Venture Exchange. Mr. Parsons has been a Chief Financial Officer in the life sciences industry since 2000 with experience in therapeutics, diagnostics and devices. Mr. Parsons has a Master of Accounting degree from the University of Waterloo and is a Chartered Professional Accountant and Chartered Accountant. Mr. Parsons is a resident of Ontario, Canada.

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

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

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

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

Research Organization, and Certara, L.P., a private biotech company focused on drug development modeling and biosimulation. Mr. Pilnik holds a Bachelor of Arts in Economics from Duke University and an MBA from the Kellogg School of Management at Northwestern University. Mr. Pilnik is a resident of Florida, USA.

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

Charles Semba, M.D. has served as a member of the Board of Directors since July 2021. Dr. Semba has over 20 years of drug-development experience in public and venture-funded biotechnology companies. Since June 2020, Dr. Semba has served as the Chief Medical Officer of Eluminex Biosciences, an ophthalmology-focused biotechnology company. From June 2016 to March 2020, Dr. Semba served as the Chief Medical Officer of Graybug Vision, Inc., a clinical-stage biopharmaceutical company focused on developing transformative medicines for the treatment of chronic diseases of the retina and optic nerve, and from June 2014 to June 2016, Dr. Semba served as the Chief Medical Officer of ForSight VISION5 (acquired by Allergan), a company focused on developing non-invasive products that replace eye drops and provide sustained therapy for major eye diseases, including glaucoma, dry eye, and allergy. Prior to his work at ForSight VISION5, Dr. Semba held senior positions at biopharmaceutical companies including Genentech (a Roche company) and Shire (acquired by Takeda). Additionally, since 1992, Dr. Semba has served as an adjunct professor of vascular and interventional radiology at the Stanford University School of Medicine. Dr. Semba holds a Bachelor of Arts in Chemistry from Carleton College and an M.D. from the University of Minnesota Medical School and is a recognized expert in endovascular therapy, thrombolysis, mechanical thrombectomy, and endovascular surgery. Dr. Semba is currently a resident of California, USA.

We believe that Dr. Semba's experience in the biotechnology and biopharmaceutical industries, particularly in drug development and clinical-stage companies, enable him to make valuable contributions to the Board of Directors.

Penalties or Sanctions

To the knowledge of the Board of Directors and our management, none of our directors as of the date of this proxy statement is or has been subject to:

- any penalties or sanctions imposed by a court relating to a securities legislation or by a securities regulatory authority or has entered in a settlement agreement with a securities regulatory authority; or
- any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a director nominee.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Board of Directors and our management, none of our directors or director nominees as of the date of this proxy statement is or has been, within 10 years before the date of this proxy statement, a director, chief executive officer or chief financial officer of any company (including DiaMedica) that, while that person was acting in that capacity:

- was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer, or chief financial officer, in DiaMedica being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- within a year after the director, chief executive officer, or chief financial officer ceased to be a director, chief executive officer or chief financial officer of DiaMedica, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets or the assets of the proposed director.

Board Recommendation

The Board of Directors unanimously recommends a vote **FOR** the election of all of the six nominees named above.

The Board of Directors Recommends a Vote FOR Each Nominee for Director 

VOTING PROPOSAL TWO—APPOINTMENT OF BAKER TILLY US, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND AUTHORIZATION TO FIX REMUNERATION

Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors appoints our independent registered public accounting firm and fixes its remuneration. In this regard, the Audit Committee evaluates the qualifications, performance and independence of our independent registered public accounting firm and determines whether to re-engage our current independent registered public accounting firm. As part of its evaluation, the Audit Committee considers, among other factors, the quality and efficiency of the services provided by the firm, including the performance, technical expertise and industry knowledge of the lead audit partner and the audit team assigned to our account; the overall strength and reputation of the firm; its capabilities relative to our business; and its knowledge of our operations. Upon consideration of these and other factors, the Audit Committee has appointed Baker Tilly US, LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2022. Baker Tilly US, LLP was first appointed as our auditor on April 27, 2018.

Representatives of Baker Tilly US, LLP will be present at the meeting to respond to appropriate questions. They also will have the opportunity to make a statement if they wish to do so.

Authorization to Board of Directors to Fix Remuneration

The approval of this proposal also constitutes authorization to the Board of Directors to fix the remuneration of Baker Tilly US, LLP as our independent registered public accounting firm.

Audit, Audit-Related, Tax and Other Fees

The following table presents the aggregate fees billed to us by Baker Tilly US, LLP for the fiscal years ended December 31, 2021 and December 31, 2020.

	Aggregate Amount Billed by Baker Tilly US, LLP	
	Fiscal 2021	**Fiscal 2020**
Audit Fees[(1)]	$ 119,112	$ 111,500
Audit-Related Fees[(2)]	7,000	73,500
Tax Fees	—	—
All Other Fees	—	—
Total	$ 126,112	$ 185,000

(1) These fees consisted of the audit of our annual consolidated financial statements for fiscal 2021 and 2020, review of quarterly condensed consolidated financial statements and other services normally provided in connection with statutory and regulatory filings or engagements.

(2) These fees consisted of the review of our registration statements on Form S-3 in 2021 and registration statement on Form S-3 in 2020 and related services normally provided in connection with statutory and regulatory filings or engagements.

Audit Committee Pre-Approval Policies and Procedures

All services rendered by Baker Tilly US, LLP to DiaMedica were permissible under applicable laws and regulations and all services provided to DiaMedica, other than de minimis non-audit services allowed under applicable law, were approved in advance by the Audit Committee. The Audit Committee's formal written charter requires the Audit Committee to pre-approve all auditing services and permitted non-audit services, including fees for such services, and permits the Audit Committee to establish pre-approval policies and procedures. While the Audit Committee has not adopted any formal pre-approval policies and procedures, it has delegated to the Audit Committee Chair the authority to pre-approve certain services up to $25,000.

Board Recommendation

The Board of Directors unanimously recommends that shareholders vote **FOR** the appointment of Baker Tilly US, LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2022 and authorization to the Board of Directors to fix the remuneration of our independent registered public accounting firm.

The Board of Directors Recommends a Vote FOR Voting Proposal Two ☑

VOTING PROPOSAL THREE— APPROVAL OF DIAMEDICA THERAPEUTICS INC. AMENDED AND RESTATED 2019 OMNIBUS INCENTIVE PLAN

Background and Proposed Amendments

On March 10, 2022, the Board of Directors, upon recommendation of the Compensation Committee, adopted, subject to approval by our shareholders, the DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan (Amended 2019 Plan). The Amended 2019 Plan incorporates an amendment to the number of common shares available for issuance under the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan (2019 Plan) by an additional 2,000,000 common shares. Our continuing ability to offer equity incentive awards under the plan is critical to our ability to attract, motivate and retain qualified personnel, particularly as we grow and in light of the highly competitive markets for employee talent in which we operate.

In addition, the Amended 2019 Plan incorporates a more stringent limit on non-employee director compensation. Instead of imposing a limit on the number of common shares subject to non-employee director awards during any one calendar year, the Amended 2019 Plan will impose a dollar limit on total non-employee director compensation per director per calendar year.

The Amended 2019 Plan also reflects DiaMedica's continuance out of the Canadian federal jurisdiction under the Canada Business Corporations Act and into British Columbia under British Columbia's Business Corporations Act, which was previously approved by our shareholders at our 2019 Annual General and Special Meeting of Shareholders.

If our shareholders approve the Amended 2019 Plan, the Amended 2019 Plan will become effective as of the date of shareholder approval. If our shareholders do not approve the Amended 2019 Plan, the 2019 Plan, as currently in effect, will remain in effect until it terminates in accordance with its terms.

Reasons Why You Should Vote in Favor of the Amended 2019 Plan

The Board recommends a vote "FOR" approval of the Amended 2019 Plan because the Board believes the proposed Amended 2019 Plan is in the best interests of DiaMedica and our shareholders for the following reasons:

- *Attracts and retains talent*. Talented, motivated and effective employees, non-employee directors and consultants are essential to executing our business strategies. Stock-based compensation and short-term incentive compensation payable in cash have been an important component of total compensation for our executive officers and key employees for years because such compensation enables us to effectively recruit and retain qualified individuals while encouraging them to think and act like owners of DiaMedica. If our shareholders approve the Amended 2019 plan, we believe we will maintain our ability to offer competitive compensation packages to both attract new talent and retain our best performers.

- *Consistent with our pay-for-performance compensation philosophy to increase shareholder value*. We believe that stock-based compensation, by its very nature, is performance-based compensation. Over time, the most significant component of total compensation for our executives is incentive compensation in the form of both stock-based and cash-based incentives that are tied to the achievement of business results. We use incentive compensation both to reinforce desired business results for our key employees and to motivate them to achieve those results.

- *Aligns director, employee and shareholder interests*. We currently provide long-term incentives in the form of stock options to eligible employees, our non-employee directors, and consultants. Additionally, we provide our non-employee directors the opportunity to elect to receive deferred stock units (DSUs) or restricted stock units (RSUs) in lieu of up to 100% of their annual cash retainers payable for services to be rendered as a non-employee director, chairman and chair or member of any board committee. We believe our stock-based compensation programs and our short-term incentives payable in cash help align the interests of our non-employee directors and employees with those of our shareholders.

- *Protects shareholder interests and embraces sound equity-based compensation practices*. As described in more detail below under the heading "*—Summary of Sound Governance Features of the Amended 2019 Plan*," the Amended 2019 plan includes a number of features that are consistent with protecting the interests of our shareholders and sound corporate governance practices.

Summary of Sound Governance Features of the Amended 2019 Plan

The Board and Compensation Committee believe that the Amended 2019 Plan contains several features that are consistent with protecting the interests of our shareholders and sound corporate governance practices, including the following:

✓ No automatic share replenishment or "evergreen" provision	✓ No re-pricing of "underwater" stock options or SARs without shareholder approval
✓ Will not be excessively dilutive to our shareholders	✓ No discounted stock options or SARs
✓ Limit on non-employee director awards	✓ No tax gross-ups
✓ No reload stock options or SARs	✓ "Clawback" provisions
✓ No liberal share counting or "recycling" of shares from exercised stock options, SARs, or other stock-based awards	✓ No dividends on stock options and unvested awards

Background for Shares Authorized for Issuance

If the Amended 2019 Plan is approved, the maximum number of common shares available for issuance under the Amended 2019 Plan will be equal to 4,000,000 common shares. As of March 22, 2022, 1,483,571 common shares were subject to outstanding awards under the 2019 Plan and 493,096 common shares remained available for issuance under the 2019 Plan.

In determining the number of common shares by which to increase the Amended 2019 Plan, the Board and Compensation Committee considered a number of factors, which are discussed further below, including:

- Shares remaining available under the 2019 Plan, total outstanding equity-based awards and how long the remaining available shares are expected to last;
- Historical and anticipated equity award granting practices, including our three-year average share usage (commonly referred to as "burn rate"); and
- Potential dilution and overhang.

Shares Available and Outstanding Equity Awards

While the use of long-term incentives in the form of equity awards is an important part of our compensation program, we are mindful of our responsibility to our shareholders to exercise judgment in the granting of equity awards. In setting the number of common shares available for issuance under the Amended 2019 Plan, the Board and Compensation Committee considered shares remaining available under the 2019 Plan, total outstanding equity awards, and how long the remaining shares available under the 2019 Plan are expected to last. To facilitate approval of the Amended 2019 Plan, set forth below is information about our common shares that may be issued under our equity compensation plans as of March 22, 2022.

As of March 22, 2022, we had 26,443,067 common shares issued and outstanding. The market value of one common share on March 22, 2022, as determined by reference to the closing price as reported on the Nasdaq Global Select Market, was $2.98.

As described in more detail in the table below, as of March 22, 2022:

- 493,096 shares remained available for issuance under the 2019 Plan, 675,000 shares remained available for issuance under the DiaMedica Therapeutics Inc. 2021 Employment Inducement Incentive Plan (Inducement Plan) and no shares remained available for future grant under the DiaMedica Therapeutics Inc. Amended and Restated Stock Option Plan (Prior Plan);
- Stock options to purchase 1,366,502 common shares and DSUs covering 117,069 common shares were outstanding under the 2019 Plan;
- Stock options to purchase 325,000 common shares were outstanding under the Inducement Plan; and
- Stock options to purchase 467,910 common shares and DSUs covering 17,333 common shares were outstanding under the Prior Plan.

Historical Equity Award Granting Practices

In setting the number of common shares authorized for issuance under the Amended 2019 Plan, the Board and Compensation Committee also considered the historical number of equity awards granted under the 2019 Plan and other equity compensation plans in the past three full fiscal years. The following table sets forth information regarding awards granted and earned and the annual burn rate for each of the last three fiscal years.

	2021	**2020**	**2019**
Stock options granted	638,008	302,332	725,825
DSUs granted	24,272	26,054	0
Weighted average common shares outstanding during fiscal year	20,773,399	15,680,320	11,987,696
Burn rate	3.2%	2.1%	6.1%

The Board and Compensation Committee also considered our three-year average burn rate (2019 to 2021) of approximately 3.8%, which is lower than the industry thresholds established by certain major proxy advisory firms. Based on historical and anticipated granting practices and the recent trading price of our common shares, we expect the additional shares authorized for issuance by the Amended 2019 Plan to cover awards for approximately three years. However, we cannot predict our future equity grant practices, the future price of our shares, or future hiring activity with any degree of certainty at this time,

and the share increase provided by the Amended 2019 Plan could last for a shorter or longer period of time.

Potential Dilution and Overhang

In setting the number of common shares authorized for issuance under the Amended 2019 Plan, the Board and Compensation Committee also considered the potential dilution and overhang that would result by approval of the Amended 2019 Plan, including the policies of certain institutional investors and major proxy advisory firms. Potential dilution and overhang is as set forth in the table below, as of March 22, 2022, assuming the Amended 2019 Plan is approved.

	Assuming Approval of Amended 2019 Plan
Options Outstanding as of March 22, 2022	2,159,412
Weighted Average Exercise Price of Options Outstanding	$5.14
Weighted Average Remaining Term of Options Outstanding	7.6 years
DSUs Outstanding as of March 22, 2022	134,402
Total Equity Awards Outstanding	2,293,814
Common Shares Outstanding as of March 22, 2022	26,443,067
Potential Dilution as of March 22, 2022	8.7%
Shares Available for Future Grant Under:	
Amended 2019 Plan	2,493,096
DiaMedica 2021 Employment Inducement Incentive Plan	675,000
Overhang, as a percentage of Common Shares Outstanding as of March 22, 2022	20.7%

Summary of the Amended 2019 Plan Features

The major features of the Amended 2019 Plan are summarized below. The Amended 2019 Plan is substantially similar to the 2019 Plan except for the amendments as previously described. The summary is qualified in its entirety by reference to the full text of the Amended 2019 Plan, a copy of which may be obtained upon request to our Corporate Secretary at Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, or by telephone at (763) 312-6755. A copy of the Amended 2019 Plan has also been filed electronically with the SEC as Appendix A to this proxy statement and is available through the SEC's website at www.sec.gov.

Purpose	The purpose of the Amended 2019 Plan is to advance the interests of DiaMedica and our shareholders by enabling DiaMedica and our subsidiaries to attract and retain qualified individuals to perform services, provide incentive compensation for such individuals in a form that is linked to the growth and profitability of DiaMedica and increases in shareholder value. As such, the Amended 2019 Plan provides opportunities for equity participation that align the interests of recipients with those of our shareholders.
Plan Administration	The Amended 2019 Plan will be administered by the Board of Directors or if the Board of Directors so delegates, the Compensation Committee of the Board or a subcommittee thereof, or any other committee delegated authority by the Board of Directors to administer the Amended 2019 Plan. We expect both the Board of Directors and the Compensation Committee of the Board to administer the Amended 2019 Plan. The Board of Directors or the committee administering the Amended 2019 Plan is referred to as the "Committee." The Committee may be

	comprised solely of directors designated by the Board of Directors who are (a) "non-employee directors" within the meaning of Rule 16b-3 under the Securities and Exchange Act of 1934, as amended, and (b) "independent directors" within the meaning of the rules of the Nasdaq Stock Market (or other applicable exchange or market on which our common shares may be traded or quoted. Subject to certain limitations, the Committee will have broad authority under the terms of the Amended 2019 Plan to take certain actions under the plan.
Delegation	To the extent permitted by applicable law, the Board of Directors may delegate to one or more of its members or to one or more officers of DiaMedica such administrative duties or powers, as it may deem advisable. The Board of Directors may authorize one or more directors or officers of DiaMedica to designate employees, other than officers, non-employee directors, or 10% shareholders of DiaMedica, to receive awards under the plan and determine the size of any such awards, subject to certain limitations.
No Re-pricing	The Board of Directors may not, without prior approval of our shareholders, effect any re-pricing of any previously granted "underwater" option or SAR, including re-pricing effected by: (i) amending or modifying the terms of the option or SAR to lower the exercise price or grant price; (ii) canceling the underwater option or SAR in exchange for (A) cash; (B) replacement options or SARs having a lower exercise price or grant price; or (C) other awards; or (iii) repurchasing the underwater options or SARs and granting new awards under the Amended 2019 Plan. An option or SAR will be deemed to be "underwater" at any time when the fair market value of the common shares is less than the exercise price of the option or the grant price of the SAR.
Shares Authorized	Subject to adjustment (as described below), the maximum number of our common shares authorized for issuance under the Amended 2019 Plan is 4,000,000 shares. No more than 2,000,000 common shares may be granted as incentive stock options. Shares that are issued under the Amended 2019 Plan or that are subject to outstanding awards will be applied to reduce the maximum number of shares remaining available for issuance under the Amended 2019 Plan only to the extent they are used; provided, however, that the full number of shares subject to a stock-settled SAR or other stock-based award will be counted against the shares authorized for issuance under the Amended 2019 Plan, regardless of the number of shares actually issued upon settlement of such SAR or other stock-based award. Any shares withheld to satisfy tax withholding obligations on awards issued under the Amended 2019 Plan, any shares withheld to pay the exercise price or grant price of awards under the Amended 2019 Plan, and any shares not issued or delivered as a result of the "net exercise" of an outstanding option or settlement of a SAR in shares will be counted against the shares authorized for issuance under the Amended 2019 Plan and will not be available again for grant under the Amended 2019 Plan. Shares subject to awards settled in cash will again be available for issuance pursuant to awards granted under the Amended 2019 Plan. Any shares related to awards granted under the Amended 2019 Plan that terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of the shares will be available again for grant under the Amended 2019 Plan. Any shares repurchased by DiaMedica on the open market using the proceeds from the exercise of an award will not increase the number of

	shares available for future grant of awards. To the extent permitted by applicable law, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by DiaMedica or a subsidiary or otherwise will not be counted against shares available for issuance pursuant to the Amended 2019 Plan. The shares available for issuance under the Amended 2019 Plan may be authorized and unissued shares or treasury shares.
Adjustments	In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture, or extraordinary dividend (including a spin off) or other similar change in the corporate structure or our common shares, the Board of Directors will make the appropriate adjustment or substitution in order to prevent dilution or enlargement of the rights of participants. These adjustments or substitutions may be to the number and kind of securities and property that may be available for issuance under the Amended 2019 Plan. In order to prevent dilution or enlargement of the rights of participants, the Board of Directors may also adjust the number, kind, and exercise price of securities or other property subject to outstanding awards.
Eligible Participants	Awards may be granted to employees, non-employee directors and consultants of DiaMedica or any of our subsidiaries. A "consultant" for purposes of the Amended 2019 Plan is one who renders services to DiaMedica or its subsidiaries that are not in connection with the offer and sale of our securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for our securities. As of March 22, 2022, 15 employees, five non-employee directors and approximately four independent consultants would have been eligible to participate in the Amended 2019 Plan had it been approved by our shareholders at such time.
Types of Awards	The Amended 2019 Plan will permit us to grant non-statutory and incentive stock options, stock appreciation rights, restricted stock awards, RSUs, DSUs, performance awards, non-employee director awards, and other stock based awards. Awards may be granted either alone or in addition to or in tandem with any other type of award.
Stock Options	Stock options entitle the holder to purchase a specified number of our common shares at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. The Amended 2019 Plan permits the grant of both non-statutory and incentive stock options. Incentive stock options may be granted solely to eligible employees of DiaMedica or its subsidiary. Each stock option granted under the Amended 2019 Plan must be evidenced by an award agreement that specifies the exercise price, the term, the number of shares underlying the stock option, the vesting and any other conditions. The exercise price of each stock option granted under the Amended 2019 Plan must be at least 100% of the fair market value of a share of our common shares as of the date the award is granted to a participant. Fair market value under the Amended 2019 Plan means the closing price of our common shares, as reported on the Nasdaq Stock Market, as of the end of a regular trading session on such date, or, if no shares were traded on such date, as of the next preceding date on which there was such a trade. The closing price of our common shares, as reported on the Nasdaq Stock Market, on March 22, 2022 was $2.98 per share.

	The Board of Directors will fix the terms and conditions of each stock option, subject to certain restrictions, such as a ten-year maximum term.
Stock Appreciation Rights	A stock appreciation right, or SAR, is a right granted to receive payment of cash, common shares, or a combination of both, equal to the difference between the fair market value of our common shares and the grant price of such shares. Each SAR granted must be evidenced by an award agreement that specifies the grant price, the term, and such other provisions as the Board of Directors may determine. The grant price of a SAR must be at least 100% of the fair market value of our common shares on the date of grant. The Board of Directors will fix the term of each SAR, but SARs granted under the Amended 2019 Plan will not be exercisable more than 10 years after the date the SAR is granted.
Restricted Stock Awards, Restricted Stock Units, and Deferred Stock Units	Restricted stock awards, RSUs, and/or DSUs may be granted under the Amended 2019 Plan. A restricted stock award is an award of common shares that is subject to restrictions on transfer and risk of forfeiture upon certain events, typically including termination of service. RSUs or DSUs are similar to restricted stock awards except that no shares are actually awarded to the participant on the grant date. DSUs permit the holder to receive shares of common shares or the equivalent value in cash or other property at a future time as determined by the Board of Directors. The Board of Directors will determine, and set forth in an award agreement, the period of restriction, the number of shares subject to a restricted stock award or the number of RSUs or DSUs granted, the time of payment for DSUs, and other such conditions or restrictions.
Performance Awards	Performance awards, in the form of cash, shares of common shares, or other awards (or in a combination thereof) may be granted under the Amended 2019 Plan in such amounts and upon such terms as the Board of Directors may determine. The Board of Directors shall determine, and set forth in an award agreement, the amount of cash and/or number of shares or other awards, the performance goals, the performance periods, and other terms and conditions. The extent to which the participant achieves his or her performance goals during the applicable performance period will determine the amount of cash and/or number of shares or other awards earned by the participant.
Limit on Non-Employee Director Compensation	The Amended 2019 Plan contains an upper total limit on annual non-employee director compensation equal to the sum of any cash compensation, or other compensation, and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of Awards granted to a non-employee director as compensation for services as a non-employee director during any fiscal year of DiaMedica may not exceed $400,000 (increased to $600,000 with respect to any non-employee director serving as Chairman of the Board or Lead Independent Director or in the fiscal year of a non-employee director's initial service as a non-employee director). Any compensation that is deferred counting towards this limit for the year in which the compensation is first earned, and not a later year of settlement.
Other Stock-Based Awards	Consistent with the terms of the plan, other stock-based awards may be granted to participants in such amounts and upon such terms as the Board of Directors may determine.

Dividend Equivalents	With the exception of stock options, SARs, and unvested performance awards, awards under the Amended 2019 Plan may, in the discretion of the Board of Directors, earn dividend equivalents with respect to the cash or stock dividends or other distributions that would have been paid on the common shares covered by such award had such shares been issued and outstanding on the dividend payment date. However, no dividends may be paid on unvested awards. Such dividend equivalents will be converted to cash or additional common shares by such formula and at such time and subject to such limitations as determined by the Board of Directors.
Termination of Employment or Other Service	The Amended 2019 Plan provides for certain default rules in the event of a termination of a participant's employment or other service. These default rules may be modified in an award agreement or an individual agreement between DiaMedica and a participant. If a participant's employment or other service with DiaMedica is terminated for cause, then all outstanding awards held by such participant will be terminated and forfeited. In the event a participant's employment or other service with DiaMedica is terminated by reason of death, disability, or retirement, then: • All outstanding stock options (excluding non-employee director options in the case of retirement) and SARs held by the participant will, to the extent exercisable, remain exercisable for a period of one year after such termination, but not later than the date the stock options or SARs would otherwise expire; • All outstanding stock options and SARs that are not exercisable and all outstanding restricted stock will be terminated and forfeited; and • All outstanding unvested RSUs, performance awards, and other stock-based awards held by the participant will terminate and be forfeited. However, with respect to any awards that vest based on the achievement of performance goals, if a participant's employment or other service with DiaMedica or any subsidiary is terminated prior to the end of the performance period of such award, but after the conclusion of a portion of the performance period (but in no event less than one year), the Board of Directors may, in its sole discretion, cause shares to be delivered or payment made with respect to the participant's award, but only if otherwise earned for the entire performance period and only with respect to the portion of the applicable performance period completed at the date of such event, with proration based on the number of months or years that the participant was employed or performed services during the performance period. In the event a participant's employment or other service with DiaMedica is terminated by reason other than for cause, death, disability, or retirement, then: • All outstanding stock options (including non-employee director options) and SARs held by the participant that then are exercisable will remain exercisable for three months after the date of such termination, but will not be exercisable later than the date the stock options or SARs would otherwise expire;

	• All outstanding restricted stock will be terminated and forfeited; and All outstanding unvested RSUs, performance awards and other stock-based awards will be terminated and forfeited. However, with respect to any awards that vest based on the achievement of performance goals, if a participant's employment or other service with DiaMedica or any subsidiary is terminated prior to the end of the performance period of such award, but after the conclusion of a portion of the performance period (but in no event less than one year), the Board of Directors may, in its sole discretion, cause shares to be delivered or payment made with respect to the participant's award, but only if otherwise earned for the entire performance period and only with respect to the portion of the applicable performance period completed at the date of such event, with proration based on the number of months or years that the participant was employed or performed services during the performance period.
Modification of Rights upon Termination	Upon a participant's termination of employment or other service with DiaMedica or any subsidiary, the Board of Directors may, in its sole discretion (which may be exercised at any time on or after the grant date, including following such termination) cause stock options or SARs (or any part thereof) held by such participant as of the effective date of such termination to terminate, become or continue to become exercisable or remain exercisable following such termination of employment or service, and restricted stock, RSUs, performance awards, non-employee director awards, and other stock-based awards held by such participant as of the effective date of such termination to terminate, vest, or become free of restrictions and conditions to payment, as the case may be, following such termination of employment or service, in each case in the manner determined by the Board of Directors; provided, however, that no stock option or SAR may remain exercisable beyond its expiration date any such action by the Board of Directors adversely affecting any outstanding award will not be effective without the consent of the affected participant, except to the extent the Board of Directors is authorized by the Amended 2019 Plan to take such action.
Forfeiture and Recoupment	If a participant is determined by the Board of Directors to have taken any action while providing services to DiaMedica or within one year after termination of such services, that would constitute "cause" or an "adverse action," as such terms are defined in the Amended 2019 Plan, all rights of the participant under the Amended 2019 Plan and any agreements evidencing an award then held by the participant will terminate and be forfeited. The Board of Directors has the authority to rescind the exercise, vesting, issuance, or payment in respect of any awards of the participant that were exercised, vested, issued, or paid and require the participant to pay to DiaMedica, within 10 days of receipt of notice, any amount received or the amount gained as a result of any such rescinded exercise, vesting, issuance, or payment. DiaMedica may defer the exercise of any stock option or SAR for up to six months after receipt of notice of exercise in order for the Board of Directors to determine whether "cause" or "adverse action" exists. DiaMedica is entitled to withhold and deduct future wages to collect any amount due. In addition, if DiaMedica is required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, then any participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-

	Oxley Act of 2002 will reimburse DiaMedica for the amount of any award received by such individual under the Amended 2019 Plan during the 12 month period following the first public issuance or filing with the SEC, as the case may be, of the financial document embodying such financial reporting requirement. DiaMedica also may seek to recover any award made as required by the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other clawback, forfeiture, or recoupment provision required by applicable law or under the requirements of any stock exchange or market upon which our common shares is then listed or traded or any policy adopted by DiaMedica.
Effect of Change in Control	Generally, a change in control will mean: • The acquisition, other than from DiaMedica, by any individual, entity, or group of beneficial ownership of 50% or more of the then outstanding shares of common shares of DiaMedica; • The consummation of a reorganization, merger, or consolidation of DiaMedica with respect to which all or substantially all of the individuals or entities who were the beneficial owners of common shares immediately prior to the transaction do not, following the transaction, beneficially own more than 50% of the outstanding shares of common shares of the corporation resulting from the transaction; or • A complete liquidation or dissolution of DiaMedica or the sale or other disposition of all or substantially all of the assets of DiaMedica. Subject to the terms of the applicable award agreement or an individual agreement between DiaMedica and a participant, upon a change in control, the Board of Directors may, in its discretion, determine whether some or all outstanding options and stock appreciation rights shall become exercisable in full or in part, whether the restriction period and performance period applicable to some or all outstanding restricted stock awards and RSUs shall lapse in full or in part and whether the performance measures applicable to some or all outstanding awards shall be deemed to be satisfied. The Board of Directors may further require that shares of stock of the corporation resulting from such a change in control, or a parent corporation thereof, be substituted for some or all of our shares of common shares subject to an outstanding award and that any outstanding awards, in whole or in part, be surrendered to us by the holder, to be immediately cancelled by us, in exchange for a cash payment, shares of capital stock of the corporation resulting from or succeeding us or a combination of both cash and such shares of stock.
Term, Termination and Amendment	Unless sooner terminated by the Board of Directors, the Amended 2019 Plan will terminate at midnight on May 21, 2029. No award will be granted after termination of the Amended 2019 Plan, but awards outstanding upon termination of the Amended 2019 Plan will remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Amended 2019 Plan. Subject to certain exceptions, the Board of Directors has the authority to terminate and the Board of Directors has the authority to amend the Amended

2019 Plan or any outstanding award agreement at any time and from time to time. No amendments to the Amended 2019 Plan will be effective without approval of DiaMedica's shareholders if: (a) shareholder approval of the amendment is then required pursuant to Section 422 of the Code, the rules of the primary stock exchange on which the common shares is then traded, applicable U.S. state and federal laws or regulations, and the applicable laws of any foreign country or jurisdiction where awards are, or will be, granted under the Amended 2019 Plan; or (b) such amendment would: (i) materially increase benefits accruing to participants; (ii) increase the aggregate number of shares of common shares issued or issuable under the Amended 2019 Plan; (iii) increase any limitation set forth in the Amended 2019 Plan on the number of shares of common shares which may be issued or the aggregate value of awards which may be made, in respect of any type of award to any single participant during any specified period; or (iv) modify the eligibility requirements for participants in the Amended 2019 Plan. No termination or amendment of the Amended 2019 Plan or an award agreement shall adversely affect in any material way any award previously granted under the Amended 2019 Plan without the written consent of the participant holding such award.

U.S. Federal Income Tax Information

The following is a general summary, as of the date of this proxy statement, of the U.S. federal income tax consequences to participants and DiaMedica of transactions under the Amended 2019 Plan. This summary is intended for the information of shareholders considering how to vote at the meeting and not as tax guidance to participants in the current or Amended 2019 Plan, as the consequences may vary with the types of grants made, the identity of the participant, and the method of payment or settlement. The summary does not address the effects of other U.S. federal taxes or taxes imposed under state, local, or foreign tax laws. Participants are encouraged to seek the advice of a qualified tax advisor regarding the tax consequences of participation in the Amended 2019 Plan.

Incentive Stock Options. With respect to incentive stock options, generally, the stock option holder is not taxed, and we are not entitled to a deduction, on either the grant or the exercise of an incentive stock option so long as the requirements of Section 422 of the Code continue to be met. If the stock option holder meets the employment requirements and does not dispose of the common shares acquired upon exercise of an incentive stock option until at least one year after date of the exercise of the stock option and at least two years after the date the stock option was granted, gain or loss realized on sale of the shares will be treated as long-term capital gain or loss. If the common shares are disposed of before those periods expire, which is called a disqualifying disposition, the stock option holder will be required to recognize ordinary income in an amount equal to the lesser of (i) the excess, if any, of the fair market value of our common shares on the date of exercise over the exercise price, or (ii) if the disposition is a taxable sale or exchange, the amount of gain realized. Upon a disqualifying disposition, we will generally be entitled, in the same tax year, to a deduction equal to the amount of ordinary income recognized by the stock option holder, assuming that a deduction is allowed under Section 162(m) of the Code.

Non-Statutory Stock Options. The grant of a stock option that does not qualify for treatment as an incentive stock option, which is generally referred to as a non-statutory stock option, is generally not a taxable event for the stock option holder. Upon exercise of the stock option, the stock option holder will generally be required to recognize ordinary income in an amount equal to the excess of the fair market value of our common shares acquired upon exercise (determined as of the date of exercise) over the exercise price of the stock option, and we will be entitled to a deduction in an equal amount in the same tax year, assuming that a deduction is allowed under Section 162(m) of the Code. At the time of a subsequent sale or disposition of shares obtained upon exercise of a non-statutory stock option, any gain

or loss will be either a long-term or short-term capital gain or loss, depending on how long the shares have been held.

SARs. The grant of an SAR will not cause the participant to recognize ordinary income or entitle us to a deduction for federal income tax purposes. Upon the exercise of an SAR, the participant will recognize ordinary income in the amount of the cash or the value of common shares payable to the participant (before reduction for any withholding taxes), and we will receive a corresponding deduction in an amount equal to the ordinary income recognized by the participant, assuming that a deduction is allowed under Section 162(m) of the Code.

Restricted Stock, RSUs, Deferred Stock Units and Other Stock-Based Awards. The federal income tax consequences with respect to restricted stock, RSUs, DSUs, performance shares and performance stock units, and other stock unit and stock-based awards depend on the facts and circumstances of each award, including, in particular, the nature of any restrictions imposed with respect to the awards. In general, if an award of stock granted to the participant is subject to a "substantial risk of forfeiture" (*e.g.*, the award is conditioned upon the future performance of substantial services by the participant) and is nontransferable, a taxable event occurs when the risk of forfeiture ceases or the awards become transferable, whichever first occurs. At such time, the participant will recognize ordinary income to the extent of the excess of the fair market value of the stock on such date over the participant's cost for such stock (if any), and the same amount is deductible by us, assuming that a deduction is allowed under Section 162(m) of the Code. Under certain circumstances, the participant, by making an election under Section 83(b) of the Code, can accelerate federal income tax recognition with respect to an award of stock that is subject to a substantial risk of forfeiture and transferability restrictions, in which event the ordinary income amount and our deduction, assuming that a deduction is allowed under Section 162(m) of the Code, will be measured and timed as of the grant date of the award. If the stock award granted to the participant is not subject to a substantial risk of forfeiture or transferability restrictions, the participant will recognize ordinary income with respect to the award to the extent of the excess of the fair market value of the stock at the time of grant over the participant's cost, if any, and the same amount is deductible by us, assuming that a deduction is allowed under Section 162(m) of the Code. If a stock unit award or other stock-based award is granted but no stock is actually issued to the participant at the time the award is granted, the participant will recognize ordinary income at the time the participant receives the stock free of any substantial risk of forfeiture (or receives cash in lieu of such stock) and the amount of such income will be equal to the fair market value of the stock at such time over the participant's cost, if any, and the same amount is then deductible by us, assuming that a deduction is allowed under Section 162(m) of the Code.

Withholding Obligations. We are entitled to withhold and deduct from future wages of the participant, to make other arrangements for the collection of, or to require the recipient to pay to us, an amount necessary for us to satisfy the recipient's federal, state or local tax withholding obligations with respect to awards granted under the Amended 2019 Plan. Withholding for taxes may be calculated based on the maximum applicable tax rate for the participant's jurisdiction or such other rate that will not trigger a negative accounting impact on DiaMedica. The Board of Directors may permit a participant to satisfy a tax obligation by withholding shares of common shares underlying an award, tendering previously acquired shares, delivery of a broker exercise notice, or a combination of these methods.

Code Section 409A. A grant may be subject to a 20% penalty tax, in addition to ordinary income tax, at the time the grant becomes vested, plus an interest penalty tax, if the grant constitutes deferred compensation under Section 409A of the Code and the requirements of Section 409A of the Code are not satisfied.

Code Section 162(m). Pursuant to Section 162(m) of the Code, the annual compensation paid to an individual who is a "covered employee" may not be deductible to the extent that it exceeds $1 million. The Tax Cut and Jobs Act, signed into law on December 22, 2017, amended Code Section 162(m),

effective for tax years beginning after December 31, 2017, (i) to expand the definition of a "covered employee" to include any person who was the Chief Executive Officer or the Chief Financial Officer at any time during the year and the three most highly compensated officers (other than the Chief Executive Officer or the Chief Financial Officer) who were employed at any time during the year whether or not the compensation is reported in the Summary Compensation Table included in our proxy statement for our Annual Meeting of Shareholders; (ii) to treat any individual who is considered a covered employee at any time during a tax year beginning after December 31, 2017, as remaining a covered employee permanently; and (iii) to eliminate the performance-based compensation exception to the $1 million deduction limit (with a transition provision continuing the performance-based exception for certain compensation covered by a written binding contract in existence on November 2, 2017).

Excise Tax on Parachute Payments. Unless otherwise provided in a separate agreement between a participant and DiaMedica, if, with respect to a participant, the acceleration of the vesting of an award or the payment of cash in exchange for all or part of an award, together with any other payments that such participant has the right to receive from DiaMedica, would constitute a "parachute payment," then the payments to such participant will be reduced to the largest amount as will result in no portion of such payments being subject to the excise tax imposed by Section 4999 of the Code. Such reduction, however, will only be made if the aggregate amount of the payments after such reduction exceeds the difference between the amount of such payments absent such reduction minus the aggregate amount of the excise tax imposed under Section 4999 of the Code attributable to any such excess parachute payments. If such provisions are applicable and if an employee will be subject to a 20% excise tax on any "excess parachute payment" pursuant to Section 4999 of the Code, we will be denied a deduction with respect to such excess parachute payment pursuant to Section 280G of the Code.

New Plan Benefits

It is not presently possible to determine the benefits or amounts that will be received by or allocated to participants under the Amended 2019 Plan or would have been received by or allocated to participants for the last completed fiscal year if the Amended 2019 Plan had then been in effect because awards under the Amended 2019 Plan will be made at the discretion of the Committee. However, under the policy currently in effect, each person serving as a non-employee director will be granted as of June 1, 2022 a stock option to purchase a number of common shares equal to 0.05% of our outstanding shares, and the Chairman of the Board will be granted an additional stock option to purchase a number of common shares equal to 0.02% of our outstanding shares, in each case rounding down to the nearest whole share.

Awards Previously Granted Under 2019 Plan

As of March 22, 2022, we had granted stock options and DSUs under the 2019 Plan as follows:

Name and Position	Number of Shares Underlying Stock Options	Number of Shares Underlying DSUs
Rick Pauls, President and Chief Executive Officer	495,000	0
Scott Kellen, Chief Financial Officer	194,750	0
Harry Alcorn Jr., Pharm.D., Senior Vice President of Clinical Operations	220,000	0
Executive Group (5 persons)	909,750	0
Non-Employee Director Group	159,940	117,069
All Other Employee Group	320,145	0
Total	1,389,835	117,069

Board of Directors Recommendation

The Board of Directors unanimously recommends that our shareholders vote **FOR** approval of the DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan.

The Board of Directors Recommends a Vote FOR Voting Proposal Three 

STOCK OWNERSHIP

Security Ownership of Significant Beneficial Owners

The table below sets forth information as to entities that have reported to the SEC or have otherwise advised us that they are a beneficial owner, as defined by the SEC's rules and regulations, of more than five percent of our common shares.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class[(1)]
Common Shares	Trill AB Sveavägen 17, 18th Floor SE-111 57 Stockholm, Sweden	2,551,020[(2)]	9.6%
Common Shares	TomEnterprise AB c/o EQT Partners AB Box 16509 103 27 Stockholm, Sweden	2,551,020[(3)]	9.6%
Common Shares	Timothy P. Lynch 919 NW Bond Street, Suite 204 Bend, OR 97703-2767	1,394,929[(4)]	5.3%
Common Shares	Laurence W. Lytton 467 Central Park West New York, NY 10025	1,380,266[(5)]	5.2%

(1) Percent of class is based on 26,443,067 shares outstanding as of our record date, March 22, 2022.

(2) Based solely on information contained in a Schedule 13G of Trill AB filed with the SEC on October 8, 2021, reflecting beneficial ownership as of September 28, 2021. Trill AB is the record owner of 2,551,020 shares. Mr. Jan Ståhlberg, as the board member of Trill AB, has the sole power to vote and dispose of the shares and is deemed to be the beneficial owner of all the shares. Trill AB and Mr. Ståhlberg filed their Schedule 13G jointly, but not as members of a group, and each disclaims membership in a group.

(3) Based solely on information contained in a Schedule 13G of TomEnterprise AB filed with the SEC on October 8, 2021, reflecting beneficial ownership as of September 28, 2021. TomEnterprise AB is the record owner of 2,551,020 shares. Mr. Thomas Von Koch, as the board member of TomEnterprise AB, has the sole power to vote and dispose of the common shares and is deemed to be the beneficial owner of all the shares. TomEnterprise AB and Mr. Von Koch filed their Schedule 13G jointly, but not as members of a group, and each disclaims membership in a group.

(4) Based solely on information contained in a Schedule 13G of Stonepine Capital Management, LLC filed with the SEC on February 11, 2022, reflecting beneficial ownership as of December 31, 2021. Stonepine Capital Management, LLC (GP) is the general partner and investment adviser of investment funds, including Stonepine Capital, L.P. (Partnership), which is the record holder of 1,194,670 shares. Mr. Lynch is one of two control persons of the GP and also holds an additional 200,259 shares. The GP, Partnership and two control persons of the GP, including Mr. Lynch, filed the Schedule 13G jointly, but not as members of a group, and each disclaims membership in a group.

(5) Based solely on information contained in a Schedule 13G/A of Mr. Lawrence W. Lytton filed with the SEC on February 15, 2022, reflecting beneficial ownership as of December 31, 2021. Mr. Lytton has the sole power to vote and dispose of the common shares and is deemed to be the beneficial owner of all the shares.

Security Ownership of Management

The table below sets forth information known to us regarding the beneficial ownership of our common shares as of March 22, 2022, by:

- each of our current directors;
- each of the individuals named in the Summary Compensation Table under "*Executive Compensation*" on page 48; and
- all of our current directors and executive officers as a group.

To our knowledge, each person named in the table has sole voting and investment power with respect to all of the securities shown as beneficially owned by such person, as determined by the rules of the SEC, except as otherwise set forth in the notes to the table and subject to community property laws, where applicable. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power and/or investment power. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (i) the exercise of any option, warrant or right; (ii) the conversion of a security; (iii) the power to revoke a trust, discretionary account or similar arrangement; or (iv) the automatic termination of a trust, discretionary account or similar arrangement. However, such unissued shares of common shares are not deemed to be outstanding for calculating the percentage of common shares owned by any other person.

Unless otherwise indicated below, the address for each beneficial owner listed is c/o DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percent of Class[2]
Common Shares	Amy Burroughs	49,647	*
Common Shares	Michael Giuffre, M.D.	240,380 [3]	*
Common Shares	James Parsons	60,551	*
Common Shares	Rick Pauls	559,534	2.1%
Common Shares	Richard Pilnik	173,373	*
Common Shares	Charles Semba, M.D.	4,697	*
Common Shares	Scott Kellen	203,957	*
Common Shares	Harry Alcorn, Jr., Pharm.D.	225,648 [4]	*
Common Shares	All current directors and executive officers as a group (10 persons)	1,531,837	5.6%

* Represents beneficial ownership of less than one percent.

(1) Includes for the persons listed below the following shares subject to options held by such persons that are currently exercisable or become exercisable within 60 days of March 22, 2022:

Name	Shares Underlying Stock Options
Directors	
Amy Burroughs	4,697
Michael Giuffre, M.D.	63,301
James Parsons	58,301
Rick Pauls	525,479
Richard Pilnik	105,283

Name	Shares Underlying Stock Options
Charles Semba, M.D.	4,697
Executive Officers	
Rick Pauls	525,479
Scott Kellen	181,667
Harry Alcorn, Jr., Pharm.D.	181,667
Other Executive Officers.	11,250
All current directors and executive officers as a group (10 persons)	1,136,342

Excludes the following common shares issuable upon the settlement of deferred share unit awards, which will be settled after the holder's employment or service relationship with DiaMedica terminates: Ms. Burroughs (11,182 shares); Dr. Giuffre (33,975 shares); Mr. Parsons (36,259 shares); Mr. Pauls (1,749 shares); and Mr. Pilnik (51,237 shares).

(2) Percent of class is based on 26,443,067 shares outstanding as of our record date, March 22, 2022.

(3) Includes: (i) 25,573 shares held by 424822 Alberta Ltd, over which Dr. Giuffre has sole voting and dispositive power, (ii) 14,890 shares Dr. Giuffre and his spouse hold jointly, (iii) 54,186 shares held by Dr. Giuffre's children, (iv) 21,070 common shares held by Dr. Giuffre's spouse and (v) 61,360 shares held directly by Dr. Giuffre.

(4) Includes 322 shares Dr. Alcorn and his spouse held jointly and 399 shares held by Dr. Alcorn's spouse.

CORPORATE GOVERNANCE

Management by Board of Directors

The Board of Directors is responsible for overseeing the management of DiaMedica and for the conduct of our affairs generally. Each director is elected annually by the shareholders and serves for a term that will end at the next annual general meeting of shareholders.

The Board of Directors facilitates its exercise of independent supervision over the management of DiaMedica through a combination of formal meetings of the Board of Directors and informal discussions amongst Board members. The Board of Directors is comprised of a majority of independent directors. The Board of Directors manages governance matters both directly and through its Board committees, which are described in more detail below. The Board of Directors looks to management of DiaMedica to keep it apprised of all significant developments affecting the company and its operations. All major acquisitions, dispositions, investments, contracts and other significant matters outside the ordinary course of our business are subject to approval by the Board of Directors.

Corporate Governance Guidelines

The Board of Directors has established Corporate Governance Guidelines that describe our basic approach to corporate governance. A copy of these Corporate Governance Guidelines can be found on the "Investor Relations—Governance" section of our corporate website www.diamedica.com. Among the topics addressed in our Corporate Governance Guidelines are:

- Board size and qualifications
- Selection of directors
- Board leadership
- Board committees
- Board and committee meetings
- Executive sessions of independent directors
- Meeting attendance by directors and non-directors
- Appropriate information and access
- Appropriate information and access
- Ability to retain advisors
- CEO evaluation
- Succession planning
- Conflicts of interest and director independence
- Board interaction with corporate constituencies
- Change of principal occupation;
- Term limits
- Retirement and resignation policy
- Board compensation
- Stock ownership by directors
- Board compensation
- Stock ownership by directors
- Loans to directors and executive officers
- Board and committee evaluation
- Communications with directors

Board Leadership Structure

Under our Corporate Governance Guidelines, the Board of Directors may select from its members a Chairman of the Board. The office of Chairman of the Board and the office of President and Chief Executive Officer may be held by one person. The Board of Directors believes it is best not to have a fixed policy on this issue and that it should be free to make this determination based on what it believes is best in light of current circumstances. The Board of Directors, acting as a group or through the Nominating and Corporate Governance Committee, will periodically review the leadership structure of the Board of Directors to assess whether it is appropriate given the specific characteristics and circumstances of DiaMedica. However, the Board of Directors does strongly endorse the concept of independent directors being in a position of leadership. If at any time, the Chief Executive Officer and Chairman of the Board are the same, the Board of Directors shall elect an independent director to serve as

the lead director. The lead director will have the following duties and responsibilities in addition to such other duties and responsibilities as may be determined by the Board of Directors from time to time.

- chairing the executive sessions of the independent directors and calling meetings of the independent directors;
- determining the agenda for the executive sessions of the independent directors and participating with the Chairman of the Board in establishing the agenda for Board meetings;
- coordinating feedback among the independent directors and the Chief Executive Officer;
- overseeing the development of appropriate responses to communications from shareholders and other interested persons addressed to the independent directors as a group;
- on behalf of the independent directors, retaining legal counsel or other advisors as they deem appropriate in the conduct of their duties and responsibilities; and
- performing such other duties as the Board of Directors deems appropriate from time to time.

Mr. Pilnik currently serves as Chairman of the Board and Rick Pauls currently serves as President and Chief Executive Officer.

We currently believe this leadership structure is in the best interests of DiaMedica and our shareholders and strikes the appropriate balance between the President and Chief Executive Officer's responsibility for the strategic direction, day-to day-leadership and performance of our company and the Chairman of our Board's responsibility to guide overall strategic direction of our company and provide oversight of our corporate governance and guidance to our President and Chief Executive Officer and to set the agenda for and preside over board meetings. We recognize that different leadership structures may be appropriate for companies in different situations and believe that no one structure is suitable for all companies. We believe that our company is well-served by this leadership structure. We anticipate that the Board of Directors will periodically review our leadership structure and may make such changes in the future as it deems appropriate.

Under our Corporate Governance Guidelines, our independent directors will meet with no company management present during a portion of or after Board meetings on a regular basis but not fewer than two times per year. After each such executive session, and as otherwise necessary, our Chairman of the Board provides our Chief Executive Officer with any actionable feedback from our independent directors. The Board of Directors met six times in executive session during the fiscal year ended December 31, 2021.

Director Independence

The Board of Directors has affirmatively determined that five of DiaMedica's current six directors are "independent directors" under the Nasdaq Listing Rules: Amy Burroughs, Michael Giuffre, M.D., James Parsons, Richard Pilnik and Charles Semba, M.D. In making these affirmative determinations that such individuals are "independent directors," the Board of Directors reviewed and discussed information provided by the directors and by DiaMedica with regard to each director's business and personal activities as they may relate to DiaMedica and our management.

Board Committees

The Board of Directors has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each of these committees has the composition described in the table below and the responsibilities described in the sections below. The Board of Directors has adopted a written charter for each committee of the Board of Directors which can be found on the "Investor

Relations—Governance" section of our corporate website www.diamedica.com. The Board of Directors from time to time may establish other committees.

The following table summarizes the current membership of each of our three board committees.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Amy Burroughs	●		●
Michael Giuffre, M.D.		Chair	●
James Parsons	Chair	●	
Rick Pauls			
Richard Pilnik	●		Chair
Charles Semba, M.D.	●	●	

Audit Committee

Responsibilities. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to our annual and quarterly financial statements filed with the SEC and any applicable securities regulatory authorities of the provinces and territories of Canada, our financial reporting process, our internal control over financial accounting and disclosure controls and procedures, the annual independent audit of our financial statements and the effectiveness of our legal compliance and ethics programs. The Audit Committee's primary responsibilities include:

- overseeing our financial reporting process, internal control over financial reporting and disclosure controls and procedures on behalf of the Board of Directors;
- having sole authority to appoint, oversee, evaluate, retain and terminate the engagement of our independent registered public accounting firm and establish the compensation to be paid to the firm;
- reviewing and pre-approving all audit services and permissible non-audit services to be provided to us by our independent registered public accounting firm;
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and
- overseeing our systems to monitor legal and ethical compliance programs, including the establishment and administration of (including the grant of any waiver from) a written code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

The Audit Committee has the authority to engage the services of outside experts and advisors as it deems necessary or appropriate to carry out its duties and responsibilities.

Composition. The current members of the Audit Committee are Ms. Burroughs, Mr. Parsons, Mr. Pilnik, and Dr. Semba. Mr. Parsons is the Chair of the Audit Committee.

Each member of the Audit Committee qualifies as "independent" for purposes of membership on audit committees pursuant to the Nasdaq Listing Rules and the rules and regulations of the SEC and is "financially literate" as required by the Nasdaq Listing Rules. In addition, the Board of Directors has determined that Mr. Parsons qualifies as an "audit committee financial expert" as defined by the rules and regulations of the SEC and meets the qualifications of "financial sophistication" under the Nasdaq Listing

Rules as a result of his extensive financial background and various financial positions he has held throughout his career. Shareholders should understand that these designations related to our Audit Committee members' experience and understanding with respect to certain accounting and auditing matters do not impose upon any of them any duties, obligations or liabilities that are greater than those generally imposed on a member of the Audit Committee or of the Board of Directors.

Audit Committee Report. This report is furnished by the Audit Committee of the Board of Directors with respect to DiaMedica's consolidated financial statements for the year ended December 31, 2021.

One of the purposes of the Audit Committee is to oversee DiaMedica's accounting and financial reporting processes and the audit of DiaMedica's annual consolidated financial statements. DiaMedica's management is responsible for the preparation and presentation of complete and accurate financial statements. DiaMedica's independent registered public accounting firm, Baker Tilly US, LLP, is responsible for performing an independent audit of DiaMedica's annual consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report on their audit.

In performing its oversight role, the Audit Committee has reviewed and discussed DiaMedica's audited consolidated financial statements for the year ended December 31, 2021 with DiaMedica's management. Management represented to the Audit Committee that DiaMedica's financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has discussed with Baker Tilly US, LLP the matters required to be discussed under Public Company Accounting Oversight Board standards and Securities and Exchange Commission rules. The Audit Committee has received the written disclosures and the letter from Baker Tilly US, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Baker Tilly US, LLP's communications with the Audit Committee concerning independence. The Audit Committee has discussed with Baker Tilly US, LLP its independence and concluded that the independent registered public accounting firm is independent from DiaMedica and DiaMedica's management.

Based on the review and discussions of the Audit Committee described above, in reliance on the unqualified opinion of Baker Tilly US, LLP regarding DiaMedica's audited consolidated financial statements, and subject to the limitations on the role and responsibilities of the Audit Committee discussed above and in the Audit Committee's charter, the Audit Committee recommended to the Board of Directors that DiaMedica's audited consolidated financial statements for the fiscal year ended December 31, 2021 be included in its Annual Report on Form 10-K for the year ended December 31, 2021 for filing with the Securities and Exchange Commission.

This report is dated as of March 10, 2022.

Audit Committee

James Parsons, Chair
Amy Burroughs
Richard Pilnik
Charles Semba, M.D.

Other Information. Additional information regarding the Audit Committee and our independent registered public accounting firm is disclosed under the "*Voting Proposal Two—Appointment of Baker Tilly US, LLP as our Independent Registered Public Accounting Firm and Authorization to Fix Remuneration*" section of this proxy statement.

Compensation Committee

Responsibilities. The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to compensation of our Chief Executive Officer and other executive officers and administers our equity compensation plans. The Compensation Committee's primary responsibilities include:

- determining all compensation for our Chief Executive Officer and other executive officers;
- administering our equity-based compensation plans;
- reviewing, assessing and approving overall strategies for attracting, developing, retaining and motivating our management and employees;
- overseeing the development and implementation of succession plans for our Chief Executive Officer and other key executive officers and employees;
- reviewing, assessing and approving overall compensation structure on an annual basis; and
- recommending and leading a process for the determination of non-employee director compensation.

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

Composition. The current members of the Compensation Committee are Dr. Giuffre, Mr. Parsons and Dr. Semba. Dr. Giuffre is the Chair of the Compensation Committee. The Board of Directors has determined that each of the members of the Compensation Committee is an "independent director" under the Nasdaq Listing Rules, a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, and otherwise independent under the rules and regulations of the SEC.

Processes and Procedures for Consideration and Determination of Executive Compensation. As described in more detail above under "—*Responsibilities*," the Board of Directors has delegated to the Compensation Committee the responsibility, among other things, to determine any and all compensation payable to our executive officers, including annual salaries, short-term incentive compensation, long-term incentive compensation, perquisites and any and all other compensation, and to administer our equity-based compensation plans. The Compensation Committee has the full power and authority of the Board of Directors to perform these duties and to fulfill these responsibilities. Under the terms of its formal written charter, the Compensation Committee has the power and authority, to the extent permitted by applicable law, to delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. The Compensation Committee has delegated to the Chief Executive Officer and Chief Financial Officer, and each of them individually, the authority to grant stock options under the Company's 2019 Omnibus Incentive Plan the authority to approve initial stock option grants to newly hired non-executive officer employees of the Company and subject to the Company's Equity Grant Policy and additional conditions and limitations specified by the Compensation Committee. The Compensation Committee has not delegated any other of its duties and responsibilities to subcommittees, but rather has taken such actions as a committee, as a whole.

The Compensation Committee has engaged the services of Radford/Aon plc (Aon), an independent compensation consultant, to assist the Compensation Committee in developing a comprehensive compensation strategy based upon compensation levels at benchmark companies for DiaMedica. The Compensation Committee used the information in this report, recommendations from Aon and discussions with management, to establish a compensation strategy and set target compensation levels for

officers and non-employee directors. The Compensation Committee retained Aon in April 2021 and shortly thereafter began to update its executive officer and non-employee director compensation analyses. Previously, until April 2021, the Compensation Committee had engaged the services of 21-Group, an independent compensation consultant, to assist the Compensation Committee. In making final decisions regarding compensation to be paid to our executive officers, the Compensation Committee considers several factors, including the benchmarking information gathered by its compensation consultants, the achievement by DiaMedica of pre-established performance objectives, the general performance of DiaMedica and the individual officers, the performance of DiaMedica and other factors that may be relevant.

Final deliberations and decisions by the Compensation Committee regarding the form and amount of compensation to be paid to our executive officers are made by the Compensation Committee, without the presence of any executive officer of our company.

Processes and Procedures for Consideration and Determination of Director Compensation. As mentioned above under "*—Responsibilities*," the Board of Directors has delegated to the Compensation Committee the responsibility, among other things, to review and make recommendations to the Board of Directors concerning compensation for non-employee members of the Board of Directors, including but not limited to retainers, meeting fees, committee chair and member retainers and equity compensation. Decisions regarding director compensation made by the Compensation Committee are not considered final and are subject to final review and approval by the entire Board of Directors. In making recommendations to the Board of Directors regarding compensation to be paid to our non-employee directors, the Compensation Committee considers fees and other compensation paid to directors of benchmark companies as gathered by its compensation consultants, the number of Board and committee meetings that our directors are expected to attend, the duties and responsibilities of individual Board members, and other factors that may be relevant. In making final decisions regarding non-employee director compensation, the Board of Directors considers the same factors and the recommendation of the Compensation Committee.

Nominating and Corporate Governance Committee

Responsibilities. The Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to director nominations and corporate governance. The primary responsibilities of the Nominating and Corporate Governance Committee include:

- identifying individuals qualified to become members of the Board of Directors, which includes reviewing and considering director nominees submitted by shareholders;
- recommending director nominees for each annual general meeting of our shareholders and director nominees to fill any vacancies that may occur between general meetings of shareholders;
- being aware of best practices in corporate governance matters and developing and recommending to the Board of Directors a set of corporate governance guidelines to govern the Board of Directors, its committees, DiaMedica and our employees;
- recommending director diversity, retirement age, tenure and refreshment policies;
- developing and overseeing an orientation process for new directors; and
- developing and overseeing a periodic Board of Directors and Board committee evaluation process.

The Nominating and Corporate Governance Committee has the authority to engage the services of outside experts and advisors as it deems necessary or appropriate to carry out its duties and responsibilities.

Orientation and Continuing Education of Directors. The Nominating and Corporate Governance Committee is responsible for developing and overseeing an orientation process for all new members of the Board of Directors. New directors are provided with access to our recent, publicly filed documents, technical reports and internal financial information and given copies of all Board of Director minutes and corporate governance materials. Directors are encouraged to ask questions and communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation. Continuing education is an important compliance requirement to promote the competence and integrity of Board members. Our directors are encouraged to take part in relevant education programs offered by appropriate regulatory bodies.

Composition. The current members of the Nominating and Corporate Governance Committee are Ms. Burroughs, Dr. Giuffre, and Mr. Pilnik. Mr. Pilnik is the Chair of the Nominating and Corporate Governance Committee. The Board of Directors has determined that each of the members of the Nominating and Corporate Governance Committee is an "independent director" under the Nasdaq Listing Rules.

Director Qualifications and the Nomination Process

The Board of Directors seeks to ensure that the Board is composed of members whose particular experience, qualifications, attributes and skills, when taken together, will allow the Board to satisfy its oversight responsibilities effectively. New directors will be approved by the Board after evaluation and recommendation by the Nominating and Corporate Governance Committee. In identifying candidates for director, the Nominating and Corporate Governance Committee and the Board take into account the following:

- the comments and recommendations of Board members regarding the qualifications and effectiveness of the existing Board, or additional qualifications that may be required when selecting new Board members;
- the requisite expertise and sufficiently diverse backgrounds of the Board's overall membership composition;
- the independence of outside directors and other possible conflicts of interest of existing and potential members of the Board; and
- any other factors they consider appropriate.

When considering directors and nominees the Nominating and Corporate Governance Committee and the Board of Directors focuses primarily on the information discussed in each of the directors' individual biographies, personal interview and recommendations.

The Nominating and Corporate Governance Committee will consider director candidates recommended to it by our shareholders. Those candidates must be qualified and exhibit the experience and expertise required of the Board's own pool of candidates, as well as have an interest in our business and demonstrate the ability to attend and prepare for Board, committee, and shareholder meetings. Any candidate must provide a written statement, in advance, affirming his or her willingness and interest in serving on the Board. Candidates should represent the interests of all shareholders and not those of a special interest group. The Nominating and Corporate Governance Committee will evaluate candidates recommended by shareholders using the same criteria it uses to evaluate candidates recommended by others as described above. A shareholder that desires to nominate a person for election to the Board of Directors at a meeting of shareholders must follow the specified advance notice requirements contained in, and provide the specific information required by British Columbia's Business Corporations Act. See additional information below in "*Shareholder Proposals for 2023 Annual General Meeting of Shareholders*."

Board Diversity Matrix

The recently adopted Nasdaq listing requirements require each listed company to have, or explain why it does not have, two diverse directors on the board, including at least one diverse director who is female and one diverse director who is part of an underrepresented minority or LGBTQ+. However, smaller reporting companies, such as DiaMedica, may satisfy this requirement by having two female directors. Our current Board composition is in compliance with the Nasdaq diversity requirement.

The table below provides certain highlights of the composition of our board members and nominees. Each of the categories listed in the below table has the meaning as it is used in Nasdaq Rule 5605(f).

Board Diversity Matrix (As of March 22, 2022)			
Total Number of Directors	6		
	Female	**Male**	**Non-Binary**
Part I: Gender Identity			
Directors	1	5	—
Part II: Demographic Background			
African American or Black	—	—	—
Alaskan Native or Native American	—	—	—
Asian	—	1	—
Hispanic or Latinx	—	—	—
Native Hawaiian or Pacific Islander	—	—	—
White	1	4	—
Two or More Races or Ethnicities	—	—	—
LGBTQ+	—		
Did Not Disclose Demographic Background	—		

Board Diversity

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board of Directors, on an annual basis, the appropriate characteristics, skills and experience required for the Board of Directors as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the Nominating and Corporate Governance Committee, in recommending candidates for election, and the Board of Directors in approving (and, in the case of vacancies, appointing) such candidates, take into account many factors, including the following:

- personal and professional integrity, ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- strong finance experience;
- relevant social policy concerns;
- experience relevant to our industry;
- experience as a board member or executive officer of another publicly held company;
- relevant academic expertise or other proficiency in an area of our operations;
- diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;
- diversity of background and perspective, including, but not limited to, with respect to age, gender, race, place of residence and specialized experience;

- practical and mature business judgment, including, but not limited to, the ability to make independent analytical inquiries; and
- any other relevant qualifications, attributes or skills.

The Board of Directors evaluates each individual in the context of the Board of Directors as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee may also consider the director's past attendance at meetings and participation in and contributions to the activities of the Board of Directors.

We believe that a board of directors made up of highly qualified individuals from diverse backgrounds promotes better corporate governance, performance and effective decision-making. The Nominating and Corporate Governance Committee makes efforts to ensure that directors and officers have a wide range of skills, experiences and backgrounds to meet our needs. To support this objective, the Nominating and Corporate Governance Committee will, when seeking candidates for Board of Directors or executive positions, among other things, (a) consider candidates who are highly qualified based on their experience, functional expertise and personal skills and qualities; and (b) consider diversity criteria including gender and geographical background of the candidate. As at the date of this proxy statement, one (17%) woman and one (17%) individual who is racially or ethnically diverse are on our Board of Directors or are executive officers of DiaMedica.

Role of Board in Risk Oversight Process

Risk is inherent with every business. We face a number of risks, including regulatory, compliance, legal, competitive, financial (accounting, credit, interest rate, liquidity and tax), operational, political, strategic and reputational risks. Our management is responsible for the day-to-day management of risks faced by us, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors ensures that the risk management processes designed and implemented by management are adequate and functioning as designed. The Board of Directors oversees risks through the establishment of policies and procedures that are designed to guide daily operations in a manner consistent with applicable laws, regulations and risks acceptable to us. Our President and Chief Executive Officer, who is also a member of the Board of Directors, regularly discusses with the Board of Directors the strategies and risks facing our company.

The standing committees of the Board of Directors oversee risks associated with their respective principal areas of focus. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on our processes for the management of business and financial risk. The Audit Committee, along with management, is also responsible for developing and participating in a process for review of important financial and operating topics that present potential significant risk to our company. The Compensation Committee is responsible for overseeing risks and exposures associated with our compensation programs and arrangements, including our executive and director compensation programs and arrangements, and management succession planning. The Nominating and Corporate Governance Committee oversees risks relating to our corporate governance matters and policies and director succession planning.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics applicable to all of our directors, officers and employees, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002, the rules of the SEC promulgated thereunder and the Nasdaq Listing Rules. We monitor employee and director compliance with our code of business conduct and ethics through employee and director reporting. Violations may be reported to supervisors, the Chief Financial Officer or, alternatively, to the Chair of the Audit Committee via e-mail. We investigate all reported violations and discipline as appropriate. In the event that any changes are made or any waivers from the provisions of the code of business conduct and ethics are made, these events would be disclosed on our website or in a Current Report on Form 8-K within four business days of such event. The code of business conduct and ethics is posted on our website at www.diamedica.com. Copies of the code of business conduct and ethics will be provided free of charge upon written request directed to Corporate Secretary, DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447.

Board and Committee Meetings

The Board of Directors met 13 times during the fiscal year ended December 31, 2021. The Audit Committee met 4 times, the Compensation Committee met 9 times, and the Nominating and Corporate Governance Committee met 7 times during the fiscal year ended December 31, 2021. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all Board committees on which the director served.

Policy Regarding Director Attendance at Annual General Meetings of Shareholders

Directors are encouraged, but not required, to attend our annual general meetings of shareholders. Dr. Giuffre and Messrs. Parsons, Pauls, and Pilnik, and Ms. Burroughs and Dr. Semba, who were director nominees at the time, attended the 2021 Annual General Meeting of Shareholders either in person, by telephone or by video conference.

Complaint Procedures

The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by DiaMedica regarding accounting, internal accounting controls or auditing matters. These procedures provide for the submission by our employees, on a confidential and anonymous basis, of concerns regarding questionable accounting or auditing matters. Our personnel with such concerns are encouraged to discuss their concerns with our compliance officer, outside legal counsel or Audit Committee Chair.

Process Regarding Shareholder Communications with Board of Directors

Shareholders may communicate with the Board of Directors or any one particular director by sending correspondence, addressed to DiaMedica's Corporate Secretary, DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, MN 55447 with an instruction to forward the communication to the Board of Directors or one or more particular directors. DiaMedica's Corporate Secretary will promptly forward all such shareholder communications to the Board of Directors or the one or more particular directors, with the exception of any advertisements, solicitations for periodical or other subscriptions and other similar communications.

DIRECTOR COMPENSATION

Non-Employee Director Compensation Program

Overview. Our non-employee directors currently consist of Amy Burroughs, Michael Giuffre, M.D., James Parsons, Richard Pilnik, and Charles Semba, M.D.

We use a combination of cash and long-term equity-based incentive compensation in the form of stock option grants to attract and retain qualified candidates to serve on the Board of Directors. In setting non-employee director compensation, we follow the process and procedures described under "*Corporate Governance—Compensation Committee—Processes and Procedures for the Determination of Director Compensation*."

In May 2021, we reviewed our non-employee director compensation program in light of a benchmarking analysis performed by a new independent compensation consultant, Aon, and other input received from Aon. The peer group used for this benchmarking analysis is now the same peer group used for the executive compensation analysis. As a result of this review, we instituted a new director equity compensation component to the program, converted the annual stock option award to be based on a percentage of our outstanding shares as opposed to a fixed dollar amount, and increased the cash retainer for our non-executive Chairman of the Board to recognize the increased work involved in that position.

Cash Retainers. The following table sets forth the annual cash retainers paid to our non-employee directors during fiscal 2021:

Description	Fiscal 2021 Annual Cash Retainer Before July 1, 2021	Fiscal 2021 Annual Cash Retainer Effective July 1, 2021
Board Member	$ 40,000	$ 40,000
Chairman of the Board	20,000	30,000
Audit Committee Chair	15,000	15,000
Audit Committee Member	7,500	7,500
Compensation Committee Chair	10,000	10,000
Compensation Committee Member	5,000	5,000
Nominating and Corporate Governance Committee Chair	7,500	7,500
Nominating and Corporate Governance Committee Member	3,750	3,750

Stock Options. In May 2021, we amended our non-employee director compensation program to convert the annual stock option award to be based on a percentage of our outstanding shares as opposed to a fixed dollar amount and to introduce a new director equity compensation component to the program. Beginning in 2021 and each year thereafter, each non-employee director will be granted a stock option to purchase a number of common shares equal to 0.05% of our outstanding shares and the Chairman of the Board will be granted an additional stock option to purchase a number of common shares equal to 0.02% of our outstanding shares, in each case rounding down to the nearest whole share. These annual stock options will be granted effective as of the later of June 1st or the date of the Annual General Meeting of Shareholders each year. All of these stock options will have a term of 10 years, a per share exercise price equal to 100% of the fair market value of a common share on the date of grant and will vest and become exercisable in four as nearly equal as possible quarterly installments over one year, and in each case so long as the non-employee director is a director of DiaMedica as of such date.

Accordingly, on July 15, 2021, each of our non-employee directors received an option to purchase 9,393 common shares at an exercise price equal to $3.64 per share and our Chairman of the Board received an additional 3,757 common shares at an exercise price equal to $3.64 per share. These options expire on July 14, 2031 and vest in four nearly equal quarterly installments over one year, subject to continued service.

Our non-employee director compensation program additionally provides that each new non-employee director will be granted a stock option to purchase a number of common shares equal to 0.1% of our outstanding shares, rounding down to the nearest whole share, effective as of the new director's first day as a director. This initial equity award is in lieu of an annual equity award for the first year of service. This initial stock option has a term of 10 years, a per share exercise price equal to 100% of the fair market value of a common share on the date of grant and vests and becomes exercisable in 12 as nearly equal as possible quarterly installments over three years, and in each case so long as the non-employee director is a director of DiaMedica as of such date. Accordingly, on July 15, 2021, each of our newly elected non-employee directors received an option to purchase 18,786 common shares at an exercise price equal to $3.64 per share.

Deferred Stock Units or Restricted Stock Units. We provide our non-employee directors the opportunity to elect to receive DSUs or RSUs in lieu of up to 100% of their annual cash retainers payable for services to be rendered as a non-employee director, chairman and chair or member of any board committee. Effective as of the first business day of each year, each of our non-employee directors who elected to receive DSUs or RSUs in lieu of all or a portion of such director's annual cash retainers, will be granted DSU or RSU awards under the 2019 Plan or any other shareholder-approved plan covering that number of shares as determined based on the following formula (rounding down to the nearest whole share):

- the aggregate dollar amount of the elected portion of the annual cash retainers that otherwise would have been payable to the non-employee director for services to be rendered as a non-employee director, Chairman of the Board and Chair or member of any Board committee during the year (or transition or other period, if applicable) based on such director's Board committee memberships and Chair positions as of the date of grant, divided by

- the 10-trading day average closing sale price of our common shares, as reported by the Nasdaq Capital Market, and as determined on the third (3rd) business day prior to the anticipated grant date of the award.

Such DSU and RSU awards vest in four as nearly equal as possible quarterly installments, on March 31, June 30, September 30 and December 31, in each case so long as the non-employee director is a director of DiaMedica as of such date. DSU awards are settled following a separation from service by such director and RSU awards are settled immediately upon vesting or, if earlier, the death of the director.

If a non-employee director who elected to receive an DSU or RSU award in lieu of all or a portion of such director's annual cash retainers is no longer a director of DiaMedica before such director's interest in all of the shares underlying the DSU or RSU award have vested, the director will forfeit his or her rights to receive all of such unvested shares on the day his or her status as a director of DiaMedica terminates. However, shares underlying the DSU or RSU award corresponding to the elected cash retainers for such quarter in which the director's status changed will vest ratably for such quarter based on the number of days of service as a director of DiaMedica during such quarter.

If a non-employee director of DiaMedica who elected to receive an DSU or RSU award in lieu of his or her annual cash retainers becomes entitled to receive an increased or additional annual cash retainer during the year, the director will receive such increased or additional annual cash retainer in cash until the director makes his or her election for the following year. Conversely, if a non-employee director of

DiaMedica who elected to receive an DSU or RSU award in lieu of such director's annual cash retainers experiences a change in committee membership or Chair positions prior to year end, such that the aggregate amount of annual cash retainers for the year to which the director is entitled is less than the aggregate amount used to calculate the director's most recent DSU or RSU award, the director will forfeit effective as of such change his or her rights to receive the corresponding portion of the shares underlying such DSU or RSU award; provided, however, that in the event the director elected to receive only a portion of his or her cash retainers in the form of an DSU or RSU award, the amount of cash retainers to be received will be reduced first. In addition, in the event shares underlying the DSU or RSU award are forfeited, the vesting of the DSU or RSU award will be revised accordingly as of the date of such change. As a result of certain Board committee changes during 2021, 422 of the shares underlying DSU awards held by Dr. Giuffre and 211 of the shares underlying DSU awards held by Mr. Parsons were forfeited as result of this mechanism.

Director Compensation Table

The table below provides summary information concerning the compensation of each individual who served as a director of our company during the fiscal year ended December 31, 2021, other than Rick Pauls, our President and Chief Executive Officer, who was not compensated separately for serving on the Board of Directors during fiscal 2021. His compensation during fiscal 2021 for serving as an executive officer of our company is set forth under "*Executive Compensation—Summary Compensation Table*."

Name	Fees Earned or Paid in Cash[1]	Option Awards[2][3]	Stock Awards[4]	All Other Compensation	Total
Amy L. Burroughs	$ 23,729	$ 53,813	$ —	$ —	$ 77,542
Michael Giuffre, M.D…..	57,777	26,906	13,395	—	98,078
James Parsons	62,014	26,906	14,381	—	103,301
Richard Pilnik	82,726	37,668	18,551	—	138,945
Charles Semba	24,308	53,813	—	—	78,121

(1) The following directors elected to receive DSUs for part of their retainers: Giuffre ($57,777 was paid in the form of 7,019 DSUs); Parsons ($62,014 was paid in the form of 7,534 DSUs); and Pilnik ($80,000 was paid in the form of 9,719 DSUs). As described above, as a result of certain Board committee changes during 2021, 422 of the shares underlying DSU awards held by Dr. Giuffre and 211 of the shares underlying DSU awards held by Mr. Parsons were forfeited.

(2) Amounts reflect the grant date fair value for option awards granted to each non-employee director computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718.

(3) The following directors held the following option awards as of December 31, 2021: Burroughs (18,786 options), Giuffre (65,649 options); Parsons (60,649 options); Pilnik (108,570 options); and Semba (18,786 options).

(4) Represents the difference between the grant date fair value of the DSUs received by the director, using the grant date fair value of $10.14 per share, and the dollar amount of retainers used to calculate the number of DSUs, using an average stock price of $8.23 per share.

Indemnification

Our Articles provide that subject to British Columbia's Business Corporations Act (BCBCA), we will indemnify a director or a former director (each an "eligible party") and his or her heirs and legal representatives, against all eligible penalties to which such person is liable. DiaMedica must pay the expenses actually and reasonably incurred by such person in respect of any eligible proceeding either as they are incurred in advance of the final disposition of the proceeding or after the final disposition of a proceeding. Our Articles define an "eligible penalty" as a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding. Our Articles define an "eligible proceeding" as a legal proceeding or investigative action, whether current, threatened, pending or completed, in which an eligible party or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director of DiaMedica: (i) is or may be joined as a party; or (ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

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

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the United States Securities Act of 1933, as amended (Securities Act) may be permitted to directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

EXECUTIVE COMPENSATION

Executive Compensation Overview

This section addresses the compensation of our President and Chief Executive Officer and the two most highly compensated executive officers for the year ended December 31, 2021:

- Rick Pauls, our President and Chief Executive Officer;
- Scott Kellen, our Chief Financial Officer and Corporate Secretary; and
- Harry Alcorn, Jr., Pharm.D., our Senior Vice President of Clinical Operations.

These executive officers are collectively referred to as the named executive officers.

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

Compensation Philosophy

The Compensation Committee generally targets executive compensation at the 50th percentile of our peer group as discussed below under "*—Elements of Our Executive Compensation Program*."

Use of Market Data

We strive to compensate our executive officers competitively relative to other companies that are similar to us from a market capitalization, revenue, number of employees and clinical development perspective. To ensure reasonableness and competitiveness of our executive compensation packages relative to our peer companies, the Compensation Committee evaluates our peer group with the aid of our independent compensation consultant and with input from management. The peer group used to help determine 2021 compensation was prepared by our independent compensation consultant in 2021 and consisted of the following 15 other companies in the same industry and with similar characteristics from a market capitalization, revenue, number of employees and clinical development perspective.

Abeona Therapeutics	Aclaris Therapeutics	Actinium Pharmaceuticals
AVEO Pharmaceuticals	Catalyst Biosciences	Galectin Therapeutics
GlycoMimetics	Heat Biologics	Idera Pharmaceuticals
Lipocine	OncoSec Medical	Soleno Therapeutics
TRACON Pharmaceuticals	Tyme Technologies	Zynerba Pharmaceuticals

Data from this peer group, therefore, was considered in the compensation benchmarking process as one input in helping us determine appropriate pay levels.

Use of Consultants

The Compensation Committee has the authority to engage the services of outside experts and advisors as it deems necessary or appropriate to carry out its duties and responsibilities, and prior to doing so, assesses the independence of such experts and advisors from management. The Compensation Committee retained Aon in April 2021 and shortly thereafter began to update its executive officer and

non-employee director compensation analyses. Previously, until April 2021, the Compensation Committee had engaged the services of 21-Group, an independent compensation consultant, to assist the Compensation Committee. Neither Aon nor 21-Group provided any services to our company other than those for which it has been retained by the Compensation Committee.

Elements of Our Executive Compensation Program

During 2021, our executive compensation program consisted of several key elements, which are described in the table below along with the key characteristics of, and the purpose for, each element. The following table also describes any key 2021 changes to each of these elements.

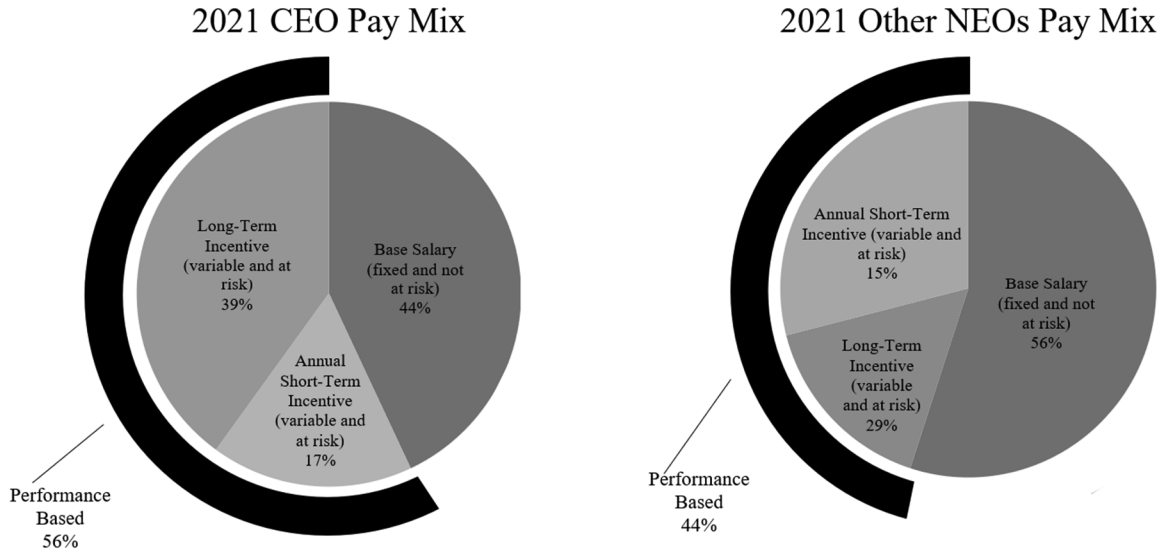
Element	Key Characteristics	Purpose	Key 2021 Changes
Base Salary *(Fixed, Cash)*	A fixed amount, paid in cash periodically throughout the year and reviewed annually and, if appropriate, adjusted.	Provides a source of fixed income that is market competitive and reflects scope and responsibility of the position held.	Our named executive officers received increases of either 7% or 10% over their respective 2020 base salaries in July 2021 primarily to bring them closer to our target positioning within our peer group.
Short-Term Incentive (STI) *(Variable, Cash)*	A variable, short-term element of compensation that is payable in cash based on achievement of key pre-established annual corporate objectives, and for certain executives, individual goals.	Motivates and rewards our executives for achievement of annual corporate and other objectives.	We increased the target incentive percentages of our CFO and Senior Vice President of Clinical Operations by 10% and 5%, respectively, to bring them in-line with our target positioning within our peer group. Our CEO received an STI payout of 76% of target and our two other NEOs received payouts equal to 76% and 66.5%, respectively.
Long-Term Incentives (LTI) *(Variable, Equity-Based Awards)*	A variable, long-term element of compensation that is provided in the form of time-vested stock option awards.	Aligns the interests of our executives with our shareholders; encourages our executives to focus on DiaMedica's long-term performance; promotes retention of our executives; and encourages significant ownership of our common shares.	Our named executive officers received stock option awards, which vest quarterly over four years. Later in 2021, we changed our employee option vesting to 25% on the one-year anniversary of the grant date and the remaining 75% vesting in 36 equal monthly amounts beginning one month after the one-year anniversary.
Retirement Benefits	A defined contribution retirement plan with a discretionary Company match.	Provides an opportunity for employees to save and prepare financially for retirement.	No changes.

We describe each key element of our executive compensation program in more detail in the following pages, along with the compensation decisions made in 2021. The compensation paid to our named executive officers is governed, in part, by written employment agreements with them, which are described below under "*—Employment Agreements*." The named executive officers also have termination and change in control benefits as set forth in their respective employment agreements. See "*—Post-Termination Severance and Change in Control Arrangements*."

Pay for Performance and Pay Mix

We seek to motivate management to achieve corporate objectives and increase shareholder value through incentive plans that reward higher performance with increased incentive payouts and hold management accountable for performance that falls below targeted levels by paying reduced or no incentive payouts. Accordingly, in general, our executive compensation program emphasizes variable, at-risk, pay elements as a significant portion of each executive's total compensation package.

The breakdown of variable, at-risk, pay (broken out between short-term incentives and long-term incentives) compared to fixed pay (i.e., base salary) reported for 2021 in the Summary Compensation Table for our President and Chief Executive Officers and other named executive officers is as follows:



Base Salary

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

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

The base salary for each of our named executive officers for fiscal 2021 compared to fiscal 2020 is as follows:

Name	Fiscal 2021	Fiscal 2020	% Change from Fiscal 2020
Rick Pauls	$ 504,185	$ 458,350	10%
Scott Kellen	297,567	278,100	7%
Harry Alcorn, Jr., Pharm.D.	314,099	293,550	7%

In July 2021, the Compensation Committee approved base salary increases of 10% for our Chief Executive Officer and 7% for our other named executive officers. The base salary increases were intended to bring their base salaries closer to our target positioning in our peer group and provide for cost of living adjustments.

Annual Short-Term Incentive Compensation

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

Under the 2021 STI program, each named executive officer had a target incentive percentage that was a percentage of their base salary. We increased the target incentive percentages of our CFO and Senior Vice President of Clinical Operations to bring their total cash compensation (base salary plus target STI compensation) closer to our target positioning in our peer group.

Name	Percentage of Base Salary
Rick Pauls	50%
Scott Kellen	40%
Harry Alcorn, Jr., Pharm.D.	35%

2021 STI payouts were based primarily on the achievement of three pre-established corporate performance objectives that related to clinical development milestones and either one or two individual performance objectives that related to each named executive's corporate responsibilities. The STI payouts reflected adjustments in light of the COVID-19 pandemic and its effect on our business and management's response to the pandemic, especially with respect to the continuation of our clinical trials, resulting in a 76% of target payout for each of our CEO and CFO and a 66.5% of target payout for our Senior Vice President of Clinical Operations:

Officer Name and Position	2021 Base Salary	Target Incentive Percentage of Base Salary	Target Bonus Opportunity	2021 Actual Payout
Rick Pauls	$ 504,185	50%	$ 252,093	$ 191,590
Scott Kellen	297,567	40%	119,027	90,460
Harry Alcorn, Jr., Pharm.D.	314,099	35%	109,935	73,107

Long-Term Equity-Based Incentive Compensation

The long-term equity-based incentive compensation component consists of stock options granted under the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan. Long-term equity-based incentives are intended to comprise a significant portion of each executive's compensation package, consistent with our executive compensation objective to align the interests of our executives with the interests of our shareholders.

The Compensation Committee believes that options effectively incentivize executives to maximize company performance over the long-term, as the value of awards is directly tied to an appreciation in the value of our common shares. Stock options also provide an effective retention mechanism because of vesting provisions. An important objective of our long-term equity-based incentive program is to strengthen the relationship between the long-term value of our common shares and the potential financial

gain for our executives. Stock options provide recipients with the opportunity to purchase our common shares at a price fixed on the grant date regardless of future market price. Because stock options become valuable only if the share price increases above the exercise price and the option holder remains employed during the period required for the option to vest, they provide an incentive for an executive to remain employed. In addition, stock options link a portion of an executive's compensation to the interests of our shareholders by providing an incentive to achieve corporate goals and increase the market price of our common shares over time.

The table below sets forth the stock options that we granted to our named executive officers in 2021, which options vest quarterly over four years:

Name	Grant Date	Grant Date Fair Value	Number of Shares Underlying Options	Exercise Price
Rick Pauls	07/28/21	$ 452,081	175,000	$ 5.00
Scott Kellen.....	07/28/21	154,999	60,000	5.00
Harry Alcorn, Jr., Pharm.D..	07/28/21	154,999	60,000	5.00

The number of stock options granted to our executives was determined based on a percent of company analysis as opposed to a value analysis and was intended to be an above-market grant so as to partially offset the fact that their total target cash compensation was substantially below our target market positioning and all of their unvested equity awards had limited value. The $5.00 per share exercise price of the stock options granted to our executive was recommended by management and represented a 44% increase over the $3.47 per share closing price of our common stock on the grant date.

In 2021, the Compensation Committee reviewed vesting schedules for employee stock options in light of prevailing industry practices and determined that, going forward, 25% of the options would vest on the one-year anniversary of the grant date and the remaining 75% would vest in 36 equal monthly amounts beginning one month after the one-year anniversary.

All Other Compensation

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

Employment Agreements

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

Post Termination Severance and Change in Control Arrangements

Severance Arrangements. Under the terms of the employment agreements with our executive officers, if we terminate the executive's employment without "cause", the executive will be entitled to: (i) salary continuation payments for 12 months in the case of Mr. Pauls and nine months in the case of each of the other executives, (ii) Consolidated Omnibus Budget Reconciliation Act (COBRA) premium

reimbursement during the salary continuation period, (iii) a pro rata portion of their target annual bonus for the year of termination, and (iv) immediate acceleration of their equity awards. These severance benefits are subject to the executive executing a separation agreement and release of claims. "Cause" is defined in the employment agreements as: (i) gross negligence or willful failure to perform the executive's duties and responsibilities to DiaMedica; (ii) commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to DiaMedica; (iii) conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude; (iv) material breach by the executive of any of their obligations under the agreement or any written agreement or covenant with DiaMedica, including the policies adopted from time to time by DiaMedica applicable to all executives, that has not been cured within 30 days of notice of such breach; or (v) we terminate the employment of the executive in connection with a liquidation, dissolution or winding down of DiaMedica. We believe that the form and amount of these severance benefits are fair and reasonable to both DiaMedica and our executives. The Compensation Committee reviews our severance arrangements periodically to ensure that they remain necessary and appropriate.

Change in Control Arrangements. To encourage continuity, stability and retention when considering the potential disruptive impact of an actual or potential corporate transaction, we have established change in control arrangements, including provisions in the 2019 Plan and executive employment agreements. These arrangements are designed to incentivize our executives to remain with our company in the event of a change in control or potential change in control.

Under the terms of the 2019 Plan, subject to the terms of the applicable award agreement or an individual agreement between DiaMedica and a participant, upon a change in control, the Board of Directors may, in its discretion, determine whether some or all outstanding options and stock appreciation rights shall become exercisable in full or in part, whether the restriction period and performance period applicable to some or all outstanding restricted stock awards and restricted stock unit awards shall lapse in full or in part and whether the performance measures applicable to some or all outstanding awards shall be deemed to be satisfied. The Board of Directors may further require that shares of stock of the corporation resulting from such a change in control, or a parent corporation thereof, be substituted for some or all of our common shares subject to an outstanding award and that any outstanding awards, in whole or in part, be surrendered to us by the holder, to be immediately cancelled by us, in exchange for a cash payment, shares of capital stock of the corporation resulting from or succeeding us or a combination of both cash and such shares of stock.

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

"Good reason" is defined in the employment agreements as the executive's resignation within 30 days following the expiration of any cure period following the occurrence of one or more of the following, without the executive's express written consent: (i) a material reduction of the executive's duties, authority, reporting level, or responsibilities, relative to their duties, authority, reporting level, or responsibilities in effect immediately prior to such change in control; (ii) a material reduction in the executive's base compensation; or (iii) DiaMedica's requiring of the executive to change the principal location at which the executive is to perform services by more than 50 miles.

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

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

Indemnification Agreements

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

Summary Compensation Table

The table below provides summary information concerning all compensation awarded to, earned by or paid to our named executive officers during our 2021 and 2020 fiscal years.

Name and Principal Position	Year	Salary	Bonus[1]	Option Awards[2]	Non-Equity Incentive Plan Compen-sation[3]	All Other Compen-sation[4]	Total
Rick Pauls[5]	2021	$477,448	$ —	$ 452,081	$ 191,590	$ 15,050	$ 1,136,169
President and Chief Executive Officer	2020	455,013	—	190,624	217,716	14,850	878,203
Scott Kellen	2021	286,211	—	154,999	90,460	15,050	546,720
Chief Financial Officer and Secretary	2020	276,075	—	119,140	79,238	14,850	489,303
Harry Alcorn, Jr., Pharm.D.	2021	302,112	—	154,999	73,107	15,050	545,268
Senior Vice President of Clinical Operations	2020	291,413	—	119,140	83,662	14,850	509,065

(1) We generally do not pay discretionary bonuses.

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

Grant Date	Grant Date Fair Value Per Share	Risk Free Interest Rate	Expected Life	Expected Volatility	Expected Dividend Yield
07/28/2021	$ 5.00	0.78%	5.4 years	105.81%	—
06/01/2020	$ 3.40	0.32%	5.1 years	97.99%	—

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

(3) Amounts reported represent awards earned for that year under our annual short-term incentive plan but paid during the following year. See "*—Executive Compensation Overview—Annual Short-Term Incentive Compensation.*"

(4) The amounts shown in the "All Other Compensation" column for fiscal 2021 include the following with respect to each named executive officer:

Name	401(k) Match	Health Savings Account Contribution	Total
Rick Pauls	$ 11,600	$ 3,450	$ 15,050
Scott Kellen	11,600	3,450	15,050
Harry Alcorn, Jr., Pharm.D.	11,600	3,450	15,050

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

Outstanding Equity Awards at Fiscal Year-End

The following table presents for each named executive officer information regarding outstanding equity awards held as of December 31, 2021. All of our named executive officers held stock options as of December 31, 2021 and one of our named executive officers held deferred share units.

	Option Awards[1]				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date[2]	Number of Shares or Units of Stock That Have Not Vested[3] (#)	Market Value of Shares or Units of Stock That Have Not Vested[4] ($)
Rick Pauls						
Stock Options.....	10,000	—	(CAD$) 34.00	02/15/2022		
	10,000	—	(CAD$) 21.40	06/25/2023		
	67,500	—	(CAD$) 3.00	12/01/2025		
	42,500	—	(CAD$) 5.20	11/28/2026		
	42,500	—	(CAD$) 6.40	06/19/2027		
	33,500	—	(CAD$) 11.20	04/17/2028		
	264,000	—	(US$) 4.60	06/23/2029		
	28,000	32,667	(US$) 4.64	05/31/2030		
	10,938	164,063	(US$) 5.00	07/27/2031		
DSUs.....					1,749	(US$) 6,524
Scott Kellen						
Stock Options.....	50,250	—	(CAD$) 11.20	04/17/2028		
	99,750	—	(US$) 4.60	06/23/2029		
	17,500	17,500	(US$) 4.64	05/31/2030		
	3,750	56,250	(US$) 5.00	07/27/2031		
Harry Alcorn, Pharm.D.						
Stock Options.....	25,000	—	(CAD$) 10.40	08/15/2028		
	125,000	—	(US$) 4.60	06/23/2029		
	17,500	17,500	(US$) 4.64	05/31/2030		
	3,750	56,250	(US$) 5.00	07/27/2031		

(1) All stock options vest in 12 nearly equal quarterly installments over three years, except the stock options granted on June 24, 2019 which vest in eight equal quarterly installments over two years and stock options granted July 28, 2021 which vest in sixteen nearly equal quarterly installments over four years. The vesting of the stock options may be accelerated under certain circumstances, including if the recipient's employment or service relationship with our company is involuntarily terminated.

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

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

(4) The market value of DSU awards that have not been settled as of December 31, 2021 is based on the closing sale price of our common shares as reported by The Nasdaq Capital Market on December 31, 2021 ($3.73).

Employee Benefit and Stock Plans

2019 Omnibus Incentive Plan

The DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan was adopted by the Board of Directors on March 14, 2019 and approved by our shareholders on May 22, 2019. For more information on the 2019 Plan, see Voting Proposal Three—Approval of DiaMedica Therapeutics Inc. Amended and Restated 2019 Omnibus Incentive Plan, beginning on page 17.

Prior Stock Option Plan

The DiaMedica Therapeutics Inc. Amended and Restated Stock Option Plan (Option Plan) was adopted by the Board of Directors on September 30, 2018 and by our shareholders on November 6, 2018. The Option Plan was terminated with respect to future grants upon the approval by the shareholders of the 2019 Plan. Options outstanding under the Option Plan remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Option Plan.

Subject to the discretion of the Board of Directors, where a person ceases to be an eligible participant under the Option Plan, other than by reason of death or in the event of termination for cause, options granted to participants will cease to be exercisable on the earlier of the expiry date and 90 days after the date of termination. Subject to the discretion of the Board of Directors, if a participant is terminated for cause, all options received will terminate and cease to be exercisable upon such termination.

In the event of any change in our outstanding common shares by reason of any stock dividend, split, recapitalization, reclassification, amalgamation, merger, consolidation, combination or exchange of shares or distribution of rights to holders of shares or any other form of corporate reorganization whatsoever, an equitable adjustment will be made to the share limits in the Option Plan and any options then outstanding and the exercise price in respect of such options.

Prior Deferred Share Unit Plan

The DiaMedica Therapeutics Inc. Deferred Share Unit Plan (DSU Plan) was adopted by the Board of Directors on August 25, 2011 and by our shareholders on September 22, 2011. The DSU Plan was terminated with respect to future grants upon the approval by the shareholders of the 2019 Plan. DSU awards outstanding under the DSU Plan remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the DSU Plan. All DSU awards held by a recipient settle and the shares underlying such awards become issuable only after the termination of the recipient's employment or other service with DiaMedica.

Anti-Hedging and Pledging Policy

DiaMedica has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if officers, directors and employees engage in certain types of transactions in DiaMedica's securities that hedge or offset, or are designed to hedge or offset, any decrease in the market value of DiaMedica's equity securities. Therefore, DiaMedica's Insider Trading Policy provides that officers, directors and employees must comply with the following policies with respect to certain transactions in DiaMedica's securities:

- ***Short Sales***. Short sales of DiaMedica's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in DiaMedica or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve DiaMedica's performance. For these reasons, short sales of DiaMedica's securities are prohibited.

- ***Publicly Traded Options***. A transaction in options is, in effect, a bet on the short-term movement of DiaMedica's common shares and therefore creates the appearance that an officer, director or employee is trading based on inside information. Transactions in options also may focus an officer's, director's or employee's attention on short-term performance at the expense of DiaMedica's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving DiaMedica's equity securities, on an exchange or in any other organized market, are prohibited.

- ***Hedging Transactions***. Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, director or employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the officer, director or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the officer, director or employee may no longer have the same objectives as DiaMedica's other shareholders. Therefore, such transactions involving DiaMedica's equity securities are prohibited.

- ***Purchases of DiaMedica's Securities on Margin; Pledging DiaMedica's Securities to Secure Margin or Other Loans***. Purchasing on margin means borrowing from a brokerage firm, bank or other entity in order to purchase DiaMedica's securities (other than in connection with a cashless exercise of stock options through a broker under DiaMedica's equity plans). Margin purchases of DiaMedica's securities are prohibited. Pledging DiaMedica's securities as collateral to secure loans is also prohibited. This prohibition means, among other things, that directors, officers and employees cannot hold DiaMedica's securities in a "margin account."

RELATED PERSON RELATIONSHIPS AND TRANSACTIONS

Introduction

Below under "*—Description of Related Party Transactions*" is a description of transactions that have occurred during the past two fiscal years, or any currently proposed transactions, to which we were or are a participant and in which:

- the amounts involved exceeded or will exceed the lesser of: $120,000 or one percent (1%) of the average of our total assets at year end for the last two completed fiscal years; and
- a related person (including any director, director nominee, executive officer, holder of more than 5% of our common shares or any member of their immediate family) had or will have a direct or indirect material interest.

Description of Related Party Transactions

Agreement with Trident Rx Consulting Services LLC

We previously engaged the services of Trident Rx Consulting Services LLC, a company owned by Dr. Sydney Gilman, our former Vice President of Regulatory Affairs, to perform regulatory consulting services for us. The fees we paid were based solely on the hourly fees of the consultants performing services for us. There was no markup received by Dr. Gilman. During 2020, we paid $235,143 and during 2021, we paid $149,000 to Trident Rx Consulting Services LLC under this arrangement prior to its termination effective June 16, 2021. The Audit Committee reviewed the purpose of the transaction, the benefits of the transaction, the availability of other sources for comparable services, the terms of the transaction, and the terms available to unrelated third parties or employees generally and determined in good faith that the transaction is in, and not inconsistent with, the best interests of DiaMedica.

Relationship with Hermeda Industrial Co., Limited

We and Hermeda Industrial Co., Limited (Hermeda) were parties to an investment agreement, which included terms relating to the composition of the Board of Directors. Under director nomination provisions of this agreement, Hermeda had the right to designate a representative to be nominated to the Board of Directors for so long as Hermeda beneficially owned at least 10% of our outstanding common shares on a non-diluted basis, and we agreed to use our reasonable best efforts to cause the Hermeda designee to be elected. Zhenyu Xiao, Ph.D., a former director who did not stand for re-election at our 2020 Annual General Meeting, was the designee of Hermeda under the investment agreement. Currently Hermeda beneficially owns less than five percent of our outstanding common shares.

Indemnification Agreements

We have entered into indemnification agreements with all of our directors and executive officers. The indemnification agreements provide, among other things, for indemnification, to the fullest extent permitted by law and our Articles, against any and all expenses (including attorneys' fees) and liabilities, judgments, fines and amounts paid in settlement that are paid or incurred by the executive or on his or her behalf in connection with such action, suit or proceeding. The indemnification agreements also set forth procedures that apply in the event an executive requests indemnification or an expense advance.

DiaMedica has not identified any arrangements or agreements relating to compensation provided by a third party to DiaMedica's directors or director nominees in connection with their candidacy or board service as required to be disclosed pursuant to Nasdaq Rule 5250(b)(3).

Policies and Procedures for Related Party Transactions

The Board of Directors has delegated to the Audit Committee, pursuant to the terms of a written policy and the formal written charter of the Audit Committee, the authority to review, approve and ratify related party transactions. If it is not feasible for the Audit Committee to take an action with respect to a proposed related party transaction, the Board of Directors or another committee, may approve or ratify it. No member of the Board of Directors or any committee may participate in any review, consideration or approval of any related party transaction with respect to which such member or any of his or her immediate family members is the related party.

Our policy defines a "related party transaction" as a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we (including any of our subsidiaries and affiliates) were, are or will be a participant and in which any related party had, has or will have a direct or indirect interest (other than solely as a result of being a director or less than 10 percent beneficial owner of another entity).

Prior to entering into or amending any related party transaction, the party involved must provide notice to our Chief Financial Officer of the facts and circumstances of the proposed transaction, including:

- the related party's relationship to us and his or her interest in the transaction;
- the material facts of the proposed related party transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved;
- the purpose and benefits of the proposed related party transaction with respect to us;
- if applicable, the availability of other sources of comparable products or services; and
- an assessment of whether the proposed related party transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

If the Chief Financial Officer determines the proposed transaction is a related party transaction in which the amount involved will or may be expected to exceed $10,000 in any calendar year, the proposed transaction will be submitted to the Audit Committee for consideration. In determining whether to approve a proposed related party transaction, the Audit Committee, or where submitted to the Chair of the Audit Committee, the Chair of the Audit Committee, will consider, among other things, the following:

- the purpose of the transaction;
- the benefits of the transaction to us;
- the impact on a director's independence in the event the related party is a non-employee director, an immediate family member of a non-employee director or an entity in which a non-employee director is a partner, shareholder or executive officer;
- the availability of other sources for comparable products or services;
- the terms of the transaction; and
- the terms available to unrelated third parties or to employees generally.

Under our policy, certain related party transactions as defined under our policy will be deemed to be pre-approved by the Audit Committee and will not be subject to these procedures.

SHAREHOLDER PROPOSALS FOR 2023 ANNUAL GENERAL MEETING OF SHAREHOLDERS

Shareholders who, in accordance with Rule 14a-8 under the Exchange Act, wish to present proposals for inclusion in the proxy materials relating to the 2023 Annual General Meeting of Shareholders must submit their proposals so that they are received by us at our principal executive offices no later than the close of business on December 6, 2022, unless the date of the 2023 Annual General Meeting of Shareholders is delayed by more than 30 calendar days. The proposals must satisfy the requirements of the proxy rules promulgated by the SEC and as the rules of the SEC make clear, simply submitting a proposal does not guarantee that it will be included.

Any other shareholder proposals, including director nominations, to be presented at the 2023 Annual General Meeting of Shareholders (other than a matter brought pursuant to SEC Rule 14a-8) must be given in writing to our Corporate Secretary and must be delivered to or mailed and received at our registered office no later than the close of business on the date that is three months before the anniversary of the previous year's annual reference date, such date being February 18, 2023. The proposals must satisfy the requirements of the BCBCA. Subject to the BCBCA, a registered owner or beneficial owner of one or more shares that carry the right to vote at general meetings and who has been a registered owner or beneficial owner of one or more such shares for an uninterrupted period of at least two years may submit to us a notice of any matter that the person wishes to have considered at our next annual general meeting. In addition, to comply with the universal proxy rules (once effective), shareholders who intend to solicit proxies in support of director nominees other than DiaMedica's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than March 19, 2023.

COPIES OF FISCAL 2021 ANNUAL REPORT AND ADDITIONAL INFORMATION

We have sent or made electronically available to each of our shareholders a copy of our Annual Report on Form 10-K (without exhibits) for the fiscal year ended December 31, 2021. Our 2021 Annual Report includes our financial information included in our consolidated annual financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2021. Our 2021 Annual Report is electronically available on our website at www.diamedica.com, by accessing the SEC's EDGAR filing database at www.sec.gov or on SEDAR at www.sedar.com. The exhibits to our Form 10-K are available by accessing the SEC's EDGAR filing database at www.sec.gov. We will furnish a copy of any exhibit to our Form 10-K upon receipt from any such person of a written request for such exhibits upon the payment of our reasonable expenses in furnishing the exhibits. This request should be sent to: DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, Attention: Shareholder Information.

Your vote is important. Whether or not you plan to attend the meeting in person, vote your shares of DiaMedica common shares by the Internet or telephone, or request a paper proxy card to sign, date and return by mail so that your shares may be voted.

By Order of the Board of Directors

Richard Pilnik
Chairman of the Board

April 5, 2022
Minneapolis, Minnesota

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2021
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)

Registrant's telephone number, including area code: **(763) 612-6755**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Voting Common Shares, no par value per share	**DMAC**	**The Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the registrant's voting common shares held by non-affiliates, computed by reference to the closing sales price at which the voting common shares were last sold as of June 30, 2021 (the last business day of the registrant's most recently completed second fiscal quarter), as reported by The Nasdaq Capital Market on that date, was $78.1 million.

As of March 8, 2022, there were 26,443,067 voting common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's Proxy Statement for its 2022 Annual General Meeting of Shareholders to be held May 18, 2022.

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DIAMEDICA THERAPEUTICS INC.
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2021
TABLE OF CONTENTS

This annual report on Form 10-K contains certain forward-looking statements that are 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, and 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 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 annual report on Form 10-K 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 are subject to risks and uncertainties and include, among other things:

- our plans to develop, obtain regulatory approval for and commercialize our DM199 product candidate for the treatment of acute ischemic stroke (AIS) and chronic kidney disease (CKD) and our expectations regarding the benefits of our DM199 product candidate;
- our ability to conduct successful clinical testing of our DM199 product candidate for AIS and CKD and certain anticipated or target dates, site activations and enrollment numbers with respect to our clinical studies, especially in the light of the novel strain of coronavirus, or COVID-19 pandemic on site activations and enrollment, hospital and medical facility staffing shortages, and worldwide global supply chain shortages;
- the adaptive design of our ReMEDy2 trial, which is intended to enroll approximately 350 patients at 75 sites in the United States, and the possibility that these numbers and other aspects of the study could change depending upon certain factors, including additional input from the United States Food and Drug Administration (FDA) and the blinded interim analysis;
- our expectations regarding the final results of our REDUX trial and timing of the release thereof;
- the perceived benefits of our DM199 product candidate over existing treatment options for AIS and CKD;
- the potential size of the markets for our DM199 product candidate for AIS and CKD and our ability to serve those markets, and the rate and degree of market acceptance of our DM199 product candidate for AIS and CKD both in the United States and internationally;
- 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 AIS and CKD;
- the success, cost and timing of planned clinical studies, as well as our reliance on collaboration with third parties to conduct our clinical studies;
- our expectations regarding the impact of the COVID-19 pandemic on our business, including in particular our progress with site activation and patient enrollment in our clinical studies and our ability to hire additional personnel;
- our commercialization, marketing and manufacturing capabilities and strategy;
- expectations regarding federal, state, and foreign regulatory requirements and developments, such as potential FDA regulation of our DM199 product candidate for AIS and CKD;
- 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;
- expectations regarding competition and our ability to obtain data exclusivity for our DM199 product candidate for AIS and CKD;
- 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 AIS and CKD; and
- our anticipated use of the net proceeds from our underwritten public offerings and recent private placement.

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 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. Forward-looking statements should not be relied upon 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.

INDUSTRY AND MARKET DATA

In addition to the industry, market and competitive position data referenced in this report from our own internal estimates and research, some market data and other statistical information included in this report are based in part upon information obtained from third-party industry publications, research, surveys and studies, none of which we commissioned. Third-party industry publications, research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information.

We are responsible for all of the disclosure in this report, and while we believe that each of the publications, research, surveys and studies included in this report are prepared by reputable sources, we have not independently verified market and industry data from third-party sources. In addition, while we believe our internal company research and estimates are reliable, such research and estimates have not been verified by independent sources. Assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "*Part I. Item 1A. Risk Factors*." These and other factors could cause our future performance to differ materially from our assumptions and estimates. See "*Cautionary Note Regarding Forward-Looking Statements*."

PART I

Item 1. Business

Overview

We are a clinical stage biopharmaceutical company committed to improving the lives of people suffering from serious diseases. DiaMedica's lead candidate DM199 is the first pharmaceutically active recombinant (synthetic) form of the human tissue kallikrein-1 (KLK1) protein to be studied in patients, an established therapeutic modality for the treatment of acute ischemic stroke and chronic kidney disease. We have also identified a potential novel new treatment for inflammatory diseases, DM300, currently in the pre-clinical stage of development. Our goal is to use our patented and in-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 acute ischemic stroke (AIS) and chronic kidney disease (CKD). We plan to advance DM199, our lead drug candidate, through required clinical trials to create shareholder value by establishing its clinical and commercial potential as a therapy for AIS and CKD.

AIS and CKD patients suffer from impaired blood flow in the brain and kidneys, respectively. These patients also tend to exhibit lower than normal levels of endogenous (produced by the body) KLK1, which is a protein produced primarily in the kidneys, pancreas and salivary glands. We believe treatment with DM199 could replenish levels of KLK1, thereby allowing the natural function of kallikrein-kinin system (KKS) to release bradykinin (BK) in the body where and when needed, generating beneficial nitric oxide and prostacyclin, setting in motion metabolic pathways that can improve blood flow (through vasoregulation), dampen inflammation and protect tissues and end-organs from ischemic damage, supporting structural integrity and normal functioning.

In September 2021, we announced the initiation of the first site for our pivotal ReMEDy2 trial, a Phase 2/3 clinical trial of DM199 for the treatment of AIS and the first patient was enrolled in November 2021. The ReMEDy2 trial is a randomized, double-blind, placebo-controlled Phase 2/3 adaptive trial intended to enroll approximately 350 patients at 75 sites in the United States. Patients enrolled in the trial will be treated with either DM199 or placebo within 24 hours of the onset of AIS symptoms. The trial excludes patients treated with tissue plasminogen activator (tPA) or any other thrombolytic and those with large vessel occlusions. The study population is representative of the approximately 80% of AIS patients who do not have treatment options today, primarily due to the short treatment window - tPA must be administered within 4.5 hours from symptom onset.

The ReMEDy2 trial has two separate, independent primary endpoints and is powered for success with either endpoint: 1) physical recovery from stroke as measured by the well-established modified Rankin Scale (mRS) at day 90, and 2) the rate of ischemic stroke recurrence through day 90. Recurrent strokes represent 25% of all ischemic strokes, often occurring in the first few weeks after an initial stroke and are typically more disabling, costly, and fatal than initial strokes. Secondary endpoints for the trial will evaluate, among other things, participant deaths, mRS shift (which shows the treatment effect on participants across the full spectrum of stroke severity) and additional standard stroke scores (NIHSS and Barthel Index).

Also in September 2021, the U.S. Food & Drug Administration (FDA) granted Fast Track Designation to DM199 for the treatment of AIS where tPA and/or mechanical thrombectomy are not indicated or medically appropriate. Fast Track is a process intended to facilitate the development and expedite the review of investigational drugs for the treatment of serious or life-threatening conditions where there is an unmet medical need.

With respect to our Phase 2 REDUX trial of DM199 in CKD, interim data was presented at the American Society of Nephrology's (ASN) annual Kidney Week meeting in November 2021. In the IgA Nephropathy (IgAN) cohort, in addition to continuing to show statistically significant reductions (over 30% decrease) in albuminuria in participants with moderate to severe baseline albuminuria, the trial also demonstrated early signals of potential disease modification with the APRIL and IgA1 biomarkers decreasing 35% and 22% overall, respectively. In the African American cohort, participants were hypertensive with CKD and non-diabetic. Patients in this cohort with moderate to severe baseline albuminuria saw an over 50% reduction in albuminuria, improvement in blood pressure and stable eGFR. We have now completed enrollment in REDUX and are evaluating next steps for our CKD program.

We believe DM199 has the potential to treat a variety of diseases where restoring healthy function requires sufficient activity of KLK1 and its system, KKS.

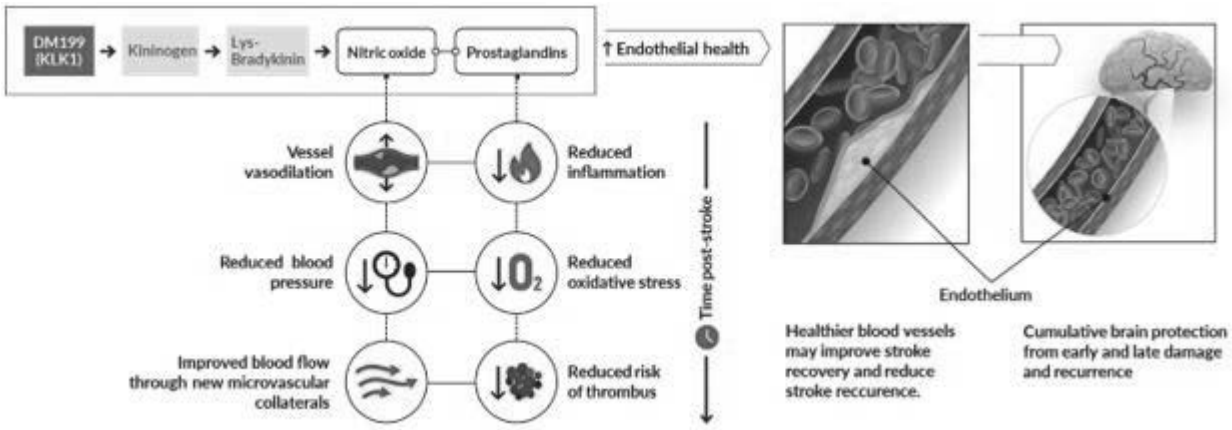
Today, forms of KLK1 derived from human urine and the pancreas of a pig (porcine pancreas) are approved and sold in Japan, China and Korea to treat AIS, CKD, retinopathy, hypertension and related vascular diseases. We believe millions of patients have been treated with these KLK1 therapies and the data from more than 200 published papers and studies support its clinical benefit. However, there are numerous regulatory, commercial and clinical drawbacks associated with KLK1 derived from human urine and porcine pancreas which can be overcome by developing a synthetic version of KLK1 such as DM199. We believe higher regulatory standards and antibody reactions are the primary reasons why KLK1 derived from human urine and porcine pancreas are not currently available and used in the United States or Europe. We are not aware of any recombinant version of KLK1 with regulatory approval for human use in any country, nor are we aware of any recombinant version in development other than our drug candidate, DM199.

Kallikrein-Kinin System

KLK1 is a serine protease, or protein, produced primarily in the kidneys, pancreas and salivary glands. KLK1 plays a critical role in the regulation of local blood flow and vasodilation (the widening of blood vessels, which decreases vascular resistance) in the body, as well as an important role in reducing inflammation and oxidative stress (an imbalance between potentially damaging reactive oxygen species, or free radicals, and antioxidants in the body).

KLK1 is involved in multiple biochemical processes. The most well-characterized activity of KLK1 is enzymatic cleavage of low molecular weight kininogen (LMWK) to produce Lys-bradykinin (BK)-like peptides, collectively known as kinins, which activate BK receptors (primarily BK2R with some BK1R). Activation of BK receptors by kinins sets in motion metabolic pathways which locally produce nitric oxide, prostaglandins and other anti-inflammatory mediators that can improve blood flow (through vasodilation), dampen inflammation, and protect tissues and end-organs from ischemic damage. Scientific literature, including publications in *Circulation Research*, *Immunopharmacology* and *Kidney International*, suggests that lower endogenous KLK1 levels in patients are associated with diseases related to vascular disorders, such as kidney diseases, stroke and hypertension. DM199, as a protein replacement therapy, may replenish KLK1 levels to properly activate the KKS locally producing nitric oxide, prostaglandins and other anti-inflammatory mediators to promote endothelial health and protect the brain and kidney from damage. By providing additional supply of the KLK1 protein, DM199 treatment could potentially improve blood flow to and reduce inflammation in damaged end-organs, such as the brain and the kidneys, supporting their structural integrity and normal functioning.

DM199 (KLK1) and Our Therapeutic Hypothesis



We have conducted numerous internal and third-party analyses to demonstrate that DM199 is structurally and functionally equivalent to KLK1 derived from human urine. Specifically, the amino acid structure of DM199 is identical to the human urine form, and the enzymatic and pharmacokinetic profiles are substantially similar to both human urine and porcine derived KLK1. The physiological effects of DM199 on blood pressure, from our completed studies, is similar to that of human urine and porcine-derived forms of KLK1. We believe that the results of this work suggest that the therapeutic action of DM199 will be the same or, potentially, better than that of the forms of KLK1 marketed in Asia.

We believe DM199 may provide new treatment options with significant benefits over the current standards of care by offering a therapeutic treatment option to a greater number of patients with the potential for fewer side effects.

Summary of Clinical Results

To date, clinical trials have been and/or are being conducted in the United States, Europe and Australia. We believe the clinical data generated to date by DM199 supports the continued development of DM199 as a treatment for AIS and CKD.

- Our Phase 2 ReMEDy1 trial of DM199 in the treatment of AIS (n=91) met our primary safety and tolerability end points and demonstrated a statistically significant reduction in the number of participants with recurrent ischemic stroke in the active treatment group: 0 (0%) patient treated with DM199 vs. 6 (13%) on placebo (p=0.012), with 4 of the 6 resulting in participant death.

- Additionally, in our Phase 2 ReMEDy1 trial, in a subset of participants (n=46) which represents the group of participants most closely aligned with the target treatment population for DM199 in our ReMEDy2 trial, a positive therapeutic effect on participant physical recoveries was demonstrated. In participants treated with DM199 (n=25) vs. supportive care and/or tPA (n=21), the results showed that 36% of participants receiving DM199 progressed to a full or nearly full recovery at 90 days (NIHSS: 0-1), compared to 14% of participants in the placebo group. This represents a 22% absolute increase in the proportion of participants achieving a full or nearly full recovery. Additionally, subject deaths decreased from 24% in the placebo group to 12% in the active therapy group, a 50% relative reduction.

- Interim data from our Phase 2 REDUX trial of DM199 in CKD was presented at the American Society of Nephrology's (ASN) annual Kidney Week meeting in November 2021. In the IgA Nephropathy (IgAN) cohort, in addition to showing statistically significant reductions (over 30% decrease) in albuminuria in participants with moderate to severe baseline albuminuria, the trial also demonstrated early signals of potential disease modification with the APRIL and IgA1 biomarkers decreasing 35% and 22% overall, respectively. The African American cohort demonstrated an over 50% reduction in albuminuria in patients with moderate to severe baseline albuminuria and significant reductions in blood pressure levels, both systolic and diastolic.

- DM199 was generally safe and well tolerated across all cohorts of the REDUX trial. Adverse Events (AEs) were generally mild to moderate in severity, with the most common being local injection site irritation that resolved. Enrollment was closed at the end of 2021 and we do not believe that the final results will differ significantly from the data presented at ASN.

In all studies, DM199 was shown to be generally safe and well tolerated. The primary adverse events noted in our studies include local injection site irritation, constipation, nausea and headache, all of which resolved without medical intervention.

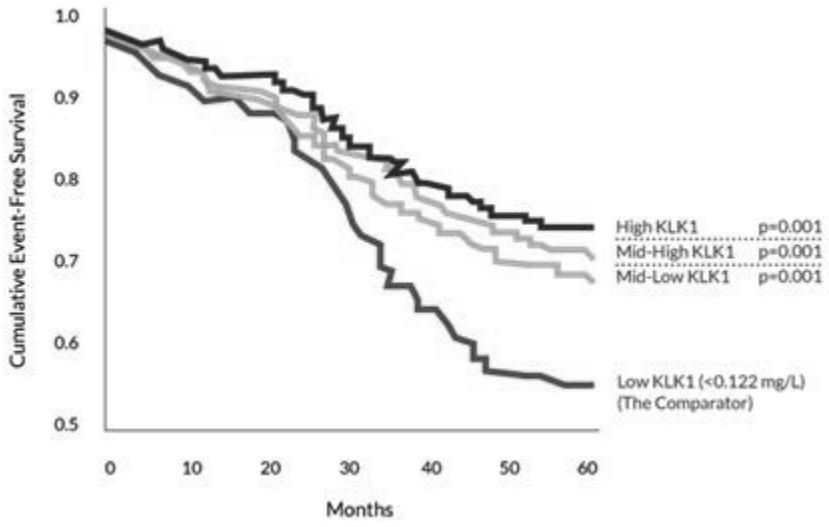
We are developing DM199 to treat AIS and CKD in the following clinical trials:

Indication	Delivery	Stage	Status	Endpoints
Neurological Diseases				
Acute Ischemic Stroke	Intravenous IV/SC	Phase 2/3	Enrolling	Independent primary endpoints at day 90: ● Modified Rankin Scale score of 0-1 ● Stroke recurrence Secondary endpoints at day 90: ● NIHSS and Barthel index ● Deaths ● Modified Rankin Scale scores of 0-6 (shift analysis)
Kidney Diseases				
IgA Nephropathy (IgAN)	SC	Phase 2	Enrollment complete	Primary endpoint at day 95: ● Safety & tolerability ● Albuminuria and estimated glomerular filtration rate (eGFR) Secondary endpoints at day 90: ● Change in IgG & IgA biomarkers
African Americans with CKD	SC	Phase 2	Enrollment complete	Primary endpoint at day 95: ● Safety & tolerability ● Albuminuria and eGFR Secondary endpoints at day 90: ● Change in blood pressure

Supporting Data for Use of DM199 (KLK1):

We have identified several hundred papers supporting the clinical use of urinary and porcine derived KLK1 from China, Japan and Korea. We estimate that over 20 companies are marketing porcine KLK1 and 1 company marketing human urinary KLK1 in these countries.

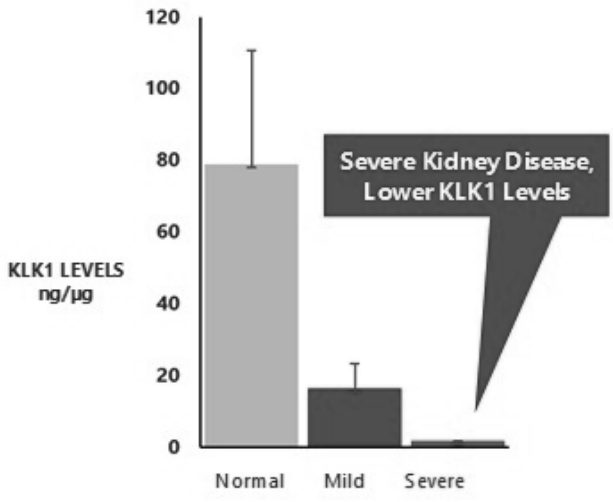
Studies have shown that lower KLK1 levels are also a predictor of stroke recurrence. As shown in the graph below, the red line represents patients in the lowest KLK1 quartile who are at the highest risk for recurrence of stroke. (2,478 stroke patients and event free survival over 5 years).



Source: Annals of Neurology (2011) 70:265-73

For patients with chronic kidney disease, studies have shown that KLK1 excretion, or levels of KLK1 in the urine, were significantly decreased. This decrease was more pronounced in patients with severe renal failure requiring dialysis, as illustrated in the graph below.

Low KLK1 Levels Are Associated With Chronic Kidney Disease



Decreased KLK1 levels associated with diseases:
Urinary kallikrein excretion in early diabetic nephropathy. Clinical Nephrology. 47:65 1997
Tissue kallikrein and kinins in renal disease. Immunopharm. 44:183, 1999
Urinary kallikrein excretion is related to renal function change and inflammatory status in chronic kidney disease patients receiving angiotensin II receptor blocker treatment. Nephrology 13: 198, 2008
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Arterial and renal consequences of partial genetic deficiency in tissue kallikrein activity in humans. J. Clin. Invest. 115:780, 2005
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Source: Immunopharmacology 44 1999. 183–192

Our Strategy

Our mission is to improve the lives of people suffering from serious diseases. Our near-term goal is to principally focus on executing our recently initiated ReMEDy2 Phase 2/3 trial of DM199 in AIS and to complete patient follow-up in our REDUX Phase 2 trial of DM199 in CKD. Key elements of our strategy include:

- DM199 for AIS – execute our ongoing ReMEDy2 Phase 2/3 trial;
- DM199 for CKD – complete patient follow-up in our REDUX Phase 2 trial;
- Continue manufacturing process development to support applications for commercial approval of DM199; and
- Identify a strategic partner(s) to assist with future clinical development and commercialization of DM199.

AIS Background and Disease Pathology

Acute Ischemic Stroke Background

Stroke is characterized by the rapidly developing loss of brain function due to a blockage of blood flow in the brain. As a result, the affected tissues of the brain become inactive and may eventually die. Strokes can be classified into two major categories: AIS and hemorrhagic stroke. AIS is characterized by interruption of the blood supply by a blood clot (ischemia), while a hemorrhagic stroke results from rupture, or bleeding, of a blood vessel in the brain. Risk factors for stroke include, among other things, advanced age, hypertension (high blood pressure), previous stroke or transient ischemic attack (TIA), diabetes, high cholesterol, cigarette smoking, atrial fibrillation, physical inactivity and obesity.

More specifically, with respect to an ischemic stroke, at the site of a blood flow blockage in the brain, there exist two major ischemic zones - the core ischemic zone with nearly complete loss of blood flow (blood flow below 10% to 25%), and the surrounding ischemic penumbra, a rim of mild to moderately ischemic tissue surrounding the core ischemic zone. Within minutes, the significant lack of blood flow in the core ischemic zone deprives these cells of glucose and oxygen which rapidly depletes energy stores and triggers the loss of ion gradients, ultimately leading to neuronal cell death, or apoptosis. The ischemic penumbra zone, however, may remain viable for several hours via collateral arteries that branch from the main occluded artery in the core ischemic zone. Unfortunately, the penumbra is at great risk of delayed tissue damage due to inflammation which may also lead to neuronal cell death. As time goes on, a lack of blood flow in the core ischemic zone (infarct) may lead to fluid buildup (edema) and swelling which creates intracranial pressure. This pressure on the brain leads to tissue compression resulting in additional ischemia. Additional events in AIS include vascular damage to the blood vessel lining or endothelium, loss of structural integrity of brain tissue and blood vessels and inflammation. A stroke can lead to permanent damage with memory loss, speech problems, reading and comprehension difficulties, physical disabilities and emotional/behavioral problems. The long-term costs of stroke are substantial, with many patients requiring extended hospitalization, extended physical therapy or rehabilitation and/or long-term institutional or family care. However, provided the extended window of viability in the penumbra, next generation stroke therapies are being developed to protect valuable brain tissue during the hours to a week after a stroke.

Unmet Medical Need in AIS

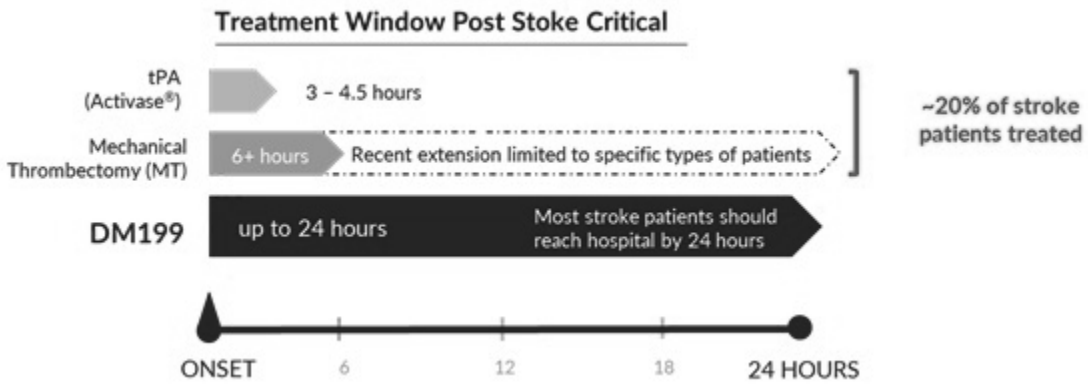
According to the World Health Organization, each year approximately 1.7 million people in the U.S., Europe and Japan and approximately 15 million people worldwide suffer a stroke, of which 5 million will die and 5 million will be permanently disabled people. According to the U.S. Center for Disease Control and Prevention (CDC) approximately 87% of all strokes are ischemic in nature, meaning a blockage of blood flow in/to the brain. We believe that stroke represents an area of significant unmet medical need and a KLK1 therapy (such as DM199) could provide a significant patient benefit, in particular given its proposed treatment window of up to 24 hours after the first sign of symptoms. Currently, the only FDA-approved pharmacological intervention for AIS is tPA, which is approved to be given within 3 hours of symptom onset; however, we understand that based upon supplemental clinical research and common practice, it is administered up to 4.5 hours from symptom onset. Treating patients with tPA during this time window can be challenging because it is difficult to determine precisely when symptoms began and a patient must undergo complex brain imaging before treatment to rule out a hemorrhagic stroke, a ruptured blood vessel causing bleeding within the brain. Mechanical thrombectomy, a procedure in which the clot is removed using catheter-based tools, is also available to certain patients. Despite the availability of these treatments, we believe they are relevant to approximately 10% of ischemic stroke patients due to the location of the clot, the elapsed time after the stroke occurred or other safety considerations. Thus, we believe DM199 may offer significant advantages over the current treatment options in that it fills a serious, unmet need for patients who cannot receive tPA or mechanical thrombectomy. Additionally, we believe DM199 may also offer a complimentary follow-on treatment for patients who initially receive tPA or mechanical thrombectomy treatments by enabling sustained blood flow improvements to the brain during the critical weeks and months after a stroke, reducing the risk of stroke recurrence.

Specifically with respect to the United States, and according to the CDC:

- Every year in the United States, approximately 800,000 people experience a stroke (ischemic or hemorrhagic). Approximately 600,000 of these are first events and approximately 25%, or 200,000, are recurrent stroke events.
- Approximately one of every 20 deaths in the United States is caused by stroke and is the fifth leading cause of death. On average, someone in the United States has a stroke every 40 seconds and someone dies from a stroke every four minutes.
- Stroke is the leading cause of serious long-term disability and reduces mobility in more than half of stroke survivors aged 65 and over.
- Risk of having a first stroke is nearly twice as high for African Americans as for Caucasians, and African Americans have the highest rate of death due to stroke.

Stroke costs in the United States, as reported by the American Heart Association, averaged nearly $46 billion in 2014 and 2015, including the cost of health care services, medications and lost productivity.

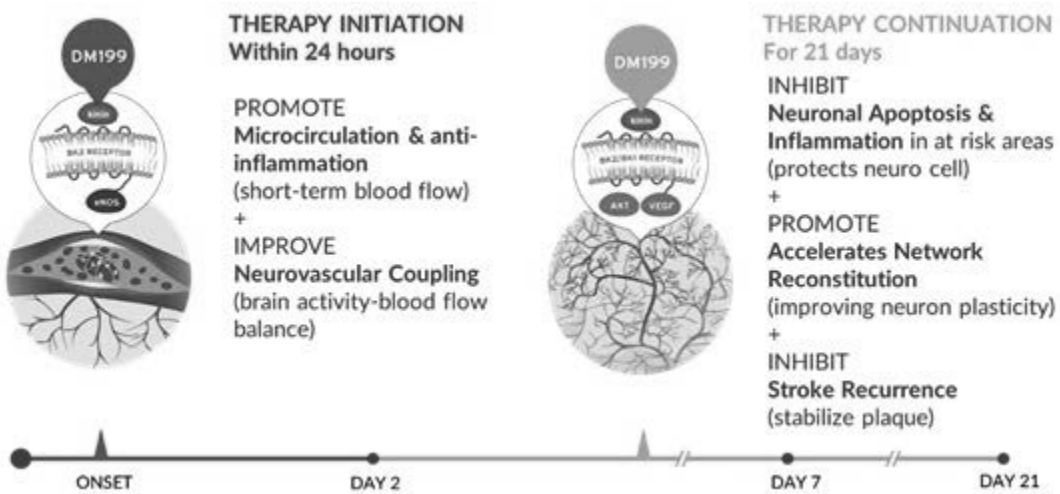
Acute Ischemic Stroke Treatment Options



DM199 – Our Novel Solution for the Treatment of AIS

We believe DM199 has the potential to preserve "at risk" brain tissue by increasing cerebral blood flow, establishing better collateral circulation, decreasing inflammation, reducing cell death, or apoptosis, and facilitating improved blood flow to at-risk brain tissue in the ischemic penumbra. Immediate actions include activation of the KKS to release nitric oxide and improve microcirculation in ischemic tissue along with improvements in the balance between blood flow and brain activity (neurovascular coupling). Longer term (days following the stroke) actions include the restoration of the blood brain barrier through increases in regulatory T cells (Tregs), a subpopulation of regulatory T cells that modulate the immune system and prevent pathologic autoimmune response, and inhibition of neuronal cell death, or apoptosis.

DM199 Acute Ischemic Stroke: Proposed Mechanism



In January 2019, we published a paper titled "Human Tissue Kallikrein in the Treatment of Acute Ischemic Stroke" in the peer reviewed journal, *Therapeutic Advances in Neurological Disorders*. The paper reviews the scientific literature covering the biochemical role of KLK1 and presents the mechanistic rationale for using KLK1 as an additional pharmacological treatment for AIS. In addition to the biochemical mechanism of KLK1, the review highlights supporting results from human genetics and preclinical animal models of brain ischemia. It also reviews published clinical results for treatment of AIS by a form of KLK1 that is isolated from human urine. This form has been approved for post-infarct treatment of AIS in China and data has been published from clinical trials involving over 4,000 patients. The paper offers a series of testable therapeutic hypotheses for demonstrating the long-term beneficial effect of KLK1 treatment in AIS patients and the reasons for this action.

We are developing DM199 to treat AIS patients with a therapeutic window of up to 24 hours after the first sign of symptoms, well beyond the current window of up to 4.5 hours from sympton onset for tPA, thereby filling a large unmet need for those patients who cannot receive tPA under the currently available treatment window of tPA. This important attribute could potentially make therapy available to the millions of patients worldwide who currently have limited treatment options.

Supporting Data from the Use of Urine-derived KLK1 for the Treatment of AIS in China

In China, Kailikang® is approved and marketed by Techpool Bio-Pharma Inc., a company controlled by Shanghai Pharmaceuticals Holding Co. Ltd. Kailikang has been approved for the treatment of AIS in China. We believe the initial treatment window is up to 48 hours after stroke symptom onset. Based on IQVIA data, other publications and our own internal analysis, we estimate that over 600,000 stroke patients have been treated with Kailikang in China since its approval in 2005. More than 50 published clinical studies, covering over 4,000 stroke patients, have demonstrated a beneficial effect of Kailikang treatment in AIS including improvements in standard stroke scores, blood flow and biomarkers of inflammation. According to a publication in the *China Journal of Neurology*, in a double-blinded, placebo-controlled trial of 446 patients treated with either Kailikang or a placebo with initial treatment administered up to 48 hours after symptom onset showed significantly better scores on the European Stroke Scale and Activities of Daily Living at three weeks post-treatment and after three months using the Barthel Index.

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

Furthermore, in a retrospective study covering 300 consecutive AIS patients, published in *Brain and Behavior* March 2018, patients treated with human urinary KLK1 experienced 39% ($p=0.009$) fewer recurrent strokes within one year.

CKD Background and Disease Pathology

Chronic Kidney Disease Background

CKD is characterized by a progressive decline in overall kidney function as measured by the eGFR, a test used to evaluate blood flow through the kidneys, and albuminuria, a marker for glomerular injury which is a measure of the amount of albumin protein excreted in your urine and an indicator for how well the kidneys are filtering excess fluid and waste products out of your blood. As glomerular filtration decreases, the body's ability to continue to regulate its many functions, including the elimination of metabolic waste, is lost and ultimately, may result in severe physiologic consequences. Among multiple underlying causes, CKD often begins with an increase in blood glucose which leads to the thickening of the glomerular membrane, known as fibrosis. As the kidney function becomes impaired, eGFR decreases and albuminuria may increase. Increased albuminuria means that abnormal amounts of protein are released into the urine collecting tubules of the kidney through damaged capillary pores in the glomerular floor. Additionally, increased blood glucose leads to increased blood pressure, elevated reactive oxygen species, advanced glycation end product formation (harmful compounds that are formed when protein or fat combine with sugar in the bloodstream) and inflammation. As these continue, structural components of the kidney begin to collapse, resulting in cell ischemia and cell death. As the renal damage continues, a progressive thickening of the glomerular basement membrane is seen along with continued pathological changes in the cells and inflammation. Early stages of CKD are characterized as microalbuminuria (small amounts of protein leak into the urine). Late stages are characterized as macroalbuminuria (large amounts of protein leak into the urine). The rate of decline depends on a number of factors including the type of diabetes, genetic predisposition, glycemic controls and blood pressure. At the final stages of CKD, the kidneys fail completely and dialysis or a kidney transplant is needed.

Unmet Medical Need in CKD

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

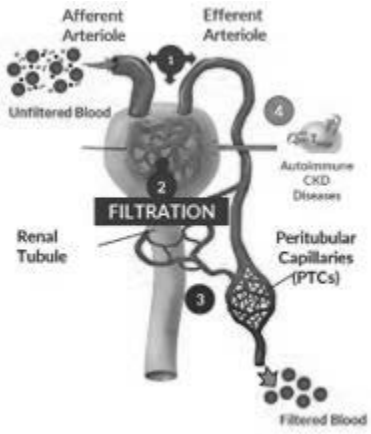
- According to the National Kidney Foundation, 37 million Americans have CKD and millions of others are at increased risk.
- The primary causes of CKD are diabetes (Type 2 and Type 1) and hypertension. The Medical Clinics of North America estimates that over 40% of those with Type 2 diabetes and 20% of those with Type 1 diabetes will eventually develop CKD, making it one of the more common risks for diabetics.
- Patients with CKD are at greater risk for hypertension and heart disease.

Currently, there is no cure for CKD and treatment primarily involves management of the symptoms of the disease in order to reduce the rate of decline in kidney function. Blood pressure medications, such as angiotensin converting enzyme inhibitors (ACEi) or angiotensin receptor blockers (ARB), are often prescribed to control hypertension, and hopefully, slow the progression of CKD. Recently sodium glucose co-transporter 2 inhibitors (SGLT2) have received approval to expand their label to treat diabetic kidney disease to reduce the rate of cardiovascular events. Nevertheless, according to the National Kidney Foundation, many of these patients continue to show declining kidney function and 3.6% of the overall population has a lifetime risk of developing end-stage renal disease (ESRD), where dialysis or a kidney transplant is needed. We believe DM199 offers a potentially novel approach for the treatment of CKD because KLK1 protein plays a vital role in normal kidney function.

DM199 – Our Novel Solution for the Treatment of CKD

We believe DM199 has the potential to offer meaningful therapeutic benefits for CKD patients. We believe that the KLK1 protein plays a vital role in maintaining normal kidney function, promoting the production of nitric oxide, prostacyclin and other anti-inflammatory mediators which are important for kidney health and integrity. Patients with moderate to severe CKD often excrete abnormally low levels of KLK1 in their urine, leading to the hypothesis that a KLK1 deficit contributes to disease progression. We believe that DM199, as a protein replacement therapy, can potentially replenish KLK1 levels and properly activate the KKS enabling or improving the production of nitric oxide, prostacyclin and other anti-inflammatory mediators which may protect the kidney from damage and possibly restore normal kidney function. In related preclinical testing, DM199 treatment in an animal model of Type 1 diabetes, a known cause of CKD, delayed the onset of the disease, attenuated the degree of insulitis (inflammation in the insulin producing islet cells of the pancreas) and improved pancreatic beta cell mass in a dose-dependent manner by increasing Tregs.

By providing additional KLK1, DM199 has the potential to:



1 **Regulate blood flow (↑ eGFR):**
- Increases glomerular filtration rate & renal blood flow

2 **Improve glomerular function (↓ Albuminuria):**
- Reduce inflammation, oxidative stress and fibrosis
- Reduce thickening of glomerular basement membrane
- Improve podocyte health

3 **Regulate epithelial sodium channel (ENaC):**
- Regulate salt and water reabsorption and excretion, in particular salt-sensitive patients
- Control blood pressure

4 **Increase Tregs (halt autoimmune attack)**
- Halt pathological autoimmune attack on glomerulus

Further supporting the hypothesis that an intact KKS is critical for normal kidney function, a series of observational studies published in *Immunopharmacology* showed the amount of KLK1 released into the urine appears to be inversely correlated with the severity of disease in patients with CKD. Urinary KLK1 excretion was decreased in patients with both mild (not requiring dialysis) and severe (kidney failure/hemodialysis) renal disease compared to controls. Decreases in urinary KLK1 activity were seen especially when the reduction was associated with decreased glomerular filtration rate.

DM199 treatment is intended to directly replenish KLK1 levels to maintain, or possibly restore, kidney function. Current treatment options, especially ACEi drugs, primarily slow the rate of decline in kidney function and are associated with side effects. Importantly, it is becoming increasingly clear that part of the beneficial effect of ACEi drugs involves preventing the normal breakdown of BK leading to substantial increases in BK levels throughout the body. However, these effects can be unregulated and ACEi drugs therefore can generate excessive BK where it is not needed, potentially leading to side effects such as persistent cough, angioedema (swelling of skin and tissue) and hyperkalemia (abnormally high potassium levels that can lead to cardiac arrest and sudden death). We believe DM199 treatment could potentially restore normal KLK1 levels allowing the KKS to perform its normal physiological processes and release BK when and where it is needed, avoiding these side effects.

We intend to seek approval for use of DM199 as a novel and ground-breaking therapy for CKD. Protein replacement therapy with DM199, through the activation of the KKS, may complement the renin-angiotensin system, primarily targeted by ACEis and ARBs, and may potentially improve the function of the diseased renal system by improving blood flow and vasodilation, as well as reducing inflammation and oxidative stress.

Supporting Data from the Use of Porcine-Derived KLK1 for the Treatment of CKD in Japan, China and Korea

KLK1 derived from porcine pancreas is currently used to treat CKD in Japan, China and Korea. Specifically, porcine KLK1 is also used to treat hypertension and retinopathy. Based on data published by the data analytics company IQVIA and our own internal analysis, we estimate that millions of patients have been treated with porcine KLK1 for these and other vascular diseases. We have identified 17 clinical papers, published in China and Germany supporting the therapeutic activity of porcine KLK1 in CKD patients, whether given alone or in combination with an ARB or an ACEi. These unblinded studies involve treatment durations ranging from a few weeks up to six months and report improvement in kidney disease based on decreased urinary albumin excretion rates and other clinical endpoints of kidney disease.

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

The biopharmaceutical industry is highly competitive and characterized by rapidly advancing technologies that focus on rapid development of proprietary drugs. We believe that our DM199 product candidate, development capabilities, experience and scientific knowledge provide us with certain competitive advantages. However, we face significant potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, governmental agencies and other research institutions. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do, and experience in obtaining FDA and other regulatory approvals of treatments and commercializing those treatments. Accordingly, our competitors may be more successful than us in obtaining approval for competitive products and achieving widespread market acceptance. Our competitors' treatments may be more effectively marketed and sold than any products we may commercialize, thus limiting our market share and resulting in a longer period before we can recover the expenses of developing and commercializing our DM199 product candidate.

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

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

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

Acute Ischemic Stroke

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

- Stem cells (Athersys, Inc.)
- tPA extended treatment window (Genentech)
- Cerebral edema (Biogen Inc.)
- Anti-inflammatory and clot dissolving (Biogen Inc.)
- Cell protection and anti-inflammation (ZZ Biotech LLC)
- Inhibiting platelet aggregation (Acticor Biotech SAS)
- Neuroprotector (Mitsubishi)

There is a large unmet therapeutic need for AIS treatments that can be administered beyond the 4.5-hour time window of tPA. With this large unmet therapeutic need, there is significant competition to develop new therapeutic options. New therapeutic options in development include tissue protection focused therapies (deliverable from hours to days after the stroke) that preserve and protect brain cells beyond the tPA therapeutic window. Currently, the most advanced treatments involve the mechanical removal of blood clots in arteries supplying blood to the brain through sophisticated catheter-based approaches, or mechanical thrombectomy. According to published research, use of mechanical thrombectomy is growing and the window of time after a stroke where the procedure can be used is widening. The goal is to provide treatment options for the vast majority of AIS patients who do not receive hospital care early enough to qualify for tPA therapy. We believe there is a very significant market opportunity for a drug that has a therapeutic window beyond that of tPA and is able to obtain regulatory approval.

Chronic Kidney Disease

CKD is primarily associated with diabetes and hypertension along with other disease states. In the United States, we are aware of only two currently approved treatments for CKD. These treatments include an ACEi (marketed under the brand name Captopril®) which is approved for the treatment of patients with CKD caused by Type 1 diabetes and a sodium glucose co-transporter 2 inhibitor (marketed under the brand names INVOKANA® and Farxiga®) is approved to reduce the risk of ESRD, worsening of kidney function, cardiovascular (CV) death, and hospitalization for heart failure in adults with type 2 diabetes and diabetic kidney disease (nephropathy) with a certain amount of protein in the urine.

There are several pharmaceutical products for the treatment of CKD currently in clinical development, some of which include:

- Mineralcorticortisteroid receptor agonist (Bayer HealthCare Pharmaceuticals LLC)
- Chymase inhibitor (Bayer HealthCare Pharmaceuticals LLC)
- Transient receptor potential canonical channel 5 (Goldfinch Bio)
- CCR2 receptor antagonists (ChemoCentryx, Inc., Bristol-Myers Squibb Company)
- Oxidative stress, cyclo-oxygenase 2 inhibitors (Reata Pharmaceuticals, Inc.)
- Glycosylation inhibitors (Glycadia, Inc. aka Glycadia Pharmaceuticals)
- Endothelin A receptor antagonists (Chinook therapeutics, Inc.)
- Cyclin nucleotide phosphodiesterase inhibitor (Pfizer Inc.)
- Aldosterone receptor antagonists (Mitsubishi Tanabe Pharma Corporation)
- Nitric oxide enzyme inhibitor (GenKyoTex SA)

On December 15, 2021, the FDA granted accelerated approval to Calliditas Therapeutics AB's "TARPEYO™" (budesonide) for the reduction of albuminuria in adult primary IgAN patients at risk of rapid disease progression, generally indicated by a urine protein-to-creatinine ratio (UPCR) ≥1.5g/g. TARPEYO (developed under the project name NEFECON) was specifically designed for and is the first and only FDA-approved treatment in this disease. It has not been established whether TARPEYO slows kidney function decline in patients with IgAN and continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory clinical trial. Additionally, there are several pharmaceutical products specifically for the treatment of IgAN currently in clinical development, some of which include:

- Dual acting ARB and endothelin receptor antagonist (Travere Therapeutics, Inc.)
- Antibody MASP-2 inhibitor (Omeros Corporation)
- Small-molecule inhibitor of complement factor B (Novartis AG)
- Small-molecule inhibitor Nrf2 activator/NFkB inhibitor (Reata Pharmaceuticals, Inc.)
- APRIL inhibitor (Vera Therapeutics and Chinook Therapeutics)

Current treatment strategies for CKD include the strict control of high blood pressure and high blood sugar. The ACEi drug Captopril® is approved for use in patients with CKD due to Type 1 diabetes and both ACEi and ARBs are widely prescribed to slow the progression of CKD. Furthermore, the treatment with ACEi has been linked to hyperkalemia (elevated blood potassium levels), which increases the risk for abnormal heart rhythms and sudden death. In fact, two clinical trials investigating the use of ACEi and ARB combination therapy in kidney disease were stopped prematurely because participants developed hyperkalemia. The added complication of hyperkalemia results in patients receiving smaller, or suboptimal, doses or patients being untreated because they cannot tolerate the treatment. Additional side effects with ACEi treatment are angioedema (swelling of skin tissue) and persistent cough.

INVOKANA® (canagliflozin) is approved for use in patients to reduce the risk of ESRD, worsening of kidney function, cardiovascular death and hospitalization for heart failure in adults with Type 2 diabetes and DKD with a certain amount of protein in the urine. Potential side effects of INVOKANA include lower limb amputations, dehydration, diabetic ketoacidosis and genital mycotic infections. Farxiga (dapagliflozin) is approved for use in patients to reduce the risk of hospitalization for heart failure in adults with Type 2 diabetes and established cardiovascular disease.

DM199 treatment is intended to directly replenish KLK1 levels, maintaining or potentially restoring kidney function. Current treatment options, especially ACEi drugs, only partially restore kidney function and are associated with high-risk side effects. ACEi drugs can generate excessive BK where it is not needed, potentially leading to side effects such as cough and angioedema. DM199 treatment may potentially allow KLK1 to follow its normal physiological processes and release BK when and where it is needed, avoiding these side effects.

DM199 Clinical Trials

AIS Phase 2/3 ReMEDy2 Trial

In September 2021, we announced the initiation of the first site for our pivotal ReMEDy2 trial, a Phase 2/3 clinical trial of DM199 for the treatment of AIS and the first patient was enrolled in November 2021. The ReMEDy2 trial is a randomized, double-blind, placebo-controlled Phase 2/3 adaptive trial intended to enroll approximately 350 patients at 75 sites in the United States. Patients enrolled in the trial will be treated with either DM199 or placebo within 24 hours of the onset of AIS symptoms. The trial excludes patients treated with tPA, or any other thrombolytic, and those with large vessel occlusions. The study population is representative of the approximately 80% of AIS patients who do not have treatment options today, primarily due to the short treatment window - tPA must be administered within 4.5 hours from symptom onset.

The ReMEDy2 trial has two separate, independent, primary endpoints and is powered for success with either endpoint: 1) physical recovery from stroke as measured by the well-established modified Rankin Scale (mRS) at day 90, and 2) the rate of ischemic stroke recurrence through day 90. Recurrent strokes represent 25% of all ischemic strokes, often occuring in the first few weeks after an initial stroke and are typically more disabling, costly, and fatal than initial strokes. Secondary endpoints for the trial will evaluate, among other things, participant deaths, mRS shift (which shows the treatment effect on participants across the full spectrum of stroke severity) and additional standard stroke scores (NIHSS and Barthel Index).

In September 2021, the U.S. Food & Drug Administration (FDA) granted Fast Track Designation to DM199 for the treatment of AIS where tPA and/or mechanical thrombectomy are not indicated or medically appropriate. Fast Track is a process intended to facilitate the development and expedite the review of investigational drugs for the treatment of serious or life-threatening conditions where there is an unmet medical need. Drugs that receive Fast Track Designation may be eligible for more frequent communications and meetings with the FDA to review the drug's development plan, including the design of the proposed clinical trials, use of biomarkers and the extent of data needed for approval. Drugs with Fast Track Designation may also qualify for accelerated and priority review of new drug applications if relevant criteria are met.

AIS Phase 2 ReMEDy1 Trial

In May 2020, we announced top-line data from our Phase 2 ReMEDy1 trial assessing the safety, tolerability and markers of therapeutic efficacy of DM199 in patients suffering from AIS. We initiated treatment in this trial in February 2018 and completed enrollment in October 2019 with 92 participants. 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 trial 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. The trial met primary safety and tolerability endpoints and was generally safe and well tolerated. In addition, there was a demonstrated therapeutic effect on the rate of severe stroke recurrence inclusive of all participants and there was also a demonstrated therapeutic effect on the physical recoveries of participants that received tPA prior to enrollment but not in participants receiving mechanical thrombectomy prior to enrollment.

Prior to enrollment, 44 of the 91 evaluable patients (48%) received a mechanical thrombectomy, a catheter-based treatment indicated for those who have a large vessel occlusion and can be treated within 6 to 24 hours of the onset of stroke symptoms. While approximately 20% of AIS patients are believed to be eligible for a mechanical thrombectomy, currently only about 5% to 10% receive the treatment due to elapsed time post-stroke or unavailability of the therapy at the hospital where they present. DM199 is intended to treat the approximately 80% of AIS patients who are not eligible for either mechanical thrombectomy or tPA. Treatment for these patients is limited to supportive care. Due to the large volume of participants receiving mechanical thrombectomy prior to enrollment in the ReMEDy1 trial, and a disproportionate distribution of these participants between the active treatment and placebo groups, DM199 did not produce a therapeutic effect on physical recoveries in the overall trial analysis.

When participants treated with mechanical thrombectomy are excluded from the trial data set, which represents the group of participants most closely aligned with the target treatment population for DM199 in the ReMEDy2 trial, a positive therapeutic effect on participant physical recoveries was demonstrated. As shown in the table below, when evaluating the participants treated with DM199 (n=25) vs. supportive care and/or tPA (n=21), the results showed that 36% of participants receiving DM199 progressed to a full or nearly full recovery at 90 days (NIHSS: 0-1), compared to 14% of participants in the placebo group. This represents a 22% absolute increase in the proportion of participants achieving a full or nearly full recovery. Additionally, subject deaths decreased from 24% in the placebo group to 12% in the active therapy group, a 50% relative reduction. Note that the number of subjects in these subsets were insufficient for statistical significance.

DM199 vs. Supportive Care and/or tPA

	NIHSS Outcomes at 90 Days			
	0-1	**2-8**	**≥ 9**	**Death**
Placebo (n=21)	14%	57%	5%	24%
DM199 (n=25)	36%	36%	16%	12%

In addition, in the evaluable participants (n=91), a significant reduction in the number of participants with recurrent ischemic stroke was noted in the active treatment group: 0 (0%) patient treated with DM199 vs. 6 (13%) on placebo (p=0.012), with 4 of the 6 resulting in participant death.

We believe these findings from our Phase 2 ReMEDy1 trial, which are consistent with the use of Kailikang in China, provide a signal that recombinant human KLK1 appears safe and may have promise as a new tool for physicians who have limited options for the treatment of patients suffering AIS.

CKD Phase 2 REDUX Trial

In October 2019, the FDA accepted our Phase 2 clinical trial protocol for the treatment of CKD caused by rare or significant unmet diseases. Enrollment commenced in December 2019 and was completed in December 2021. The trial named REDUX, Latin for restore, is a multi-center, open-label investigation of patients with mild or moderate CKD (Stage II or III) and albuminuria. The trial was conducted in the United States and was focused on participants with CKD: Cohort 1 was focused on non-diabetic, hypertensive African Americans (AA) 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. Cohort 2 was focused on participants with IgA Nephropathy. Cohort 3 was focused on participants with Type 2 diabetes mellitus with CKD, hypertension and albuminuria (DKD). The trial evaluated two dose levels of DM199 within each cohort. Study participants received DM199 by subcutaneous injection twice weekly for 95 days. The primary study endpoints included safety, tolerability, blood pressure, albuminuria and kidney function, which are evaluated by changes from baseline in estimated glomerular filtration rate and albuminuria, as measured by the urinary albumin to creatinine ratio.

In June 2021, we announced interim results and in November 2021 we announced additional interim results from our Phase II REDUX trial. The interim results indicated that DM199 was demonstrating clinically meaningful improvements in kidney function in Cohorts 1 and 2, as measured by simultaneously stabilizing estimated glomerular filtration rate (eGFR) and decreasing urine albumin-to-creatinine ratio (UACR). Additionally, in patients who were hypertensive (Cohorts 1 and 3), DM199 also reduced blood pressure by clinically significant levels and importantly, there was no effect on participants who were not hypertensive (Cohort 2). We reported the following preliminary data:

- AA: Geometric mean decrease in UACR of -55% in moderate to severe albuminuria (baseline UACR >500 µg/mg) (n=3), Stable eGFR from baseline (n=12) and a mean decrease in systolic/diastolic blood pressure -19/-13 mmHg (n=8) at the 2 µg/kg dose level;

- IgAN: UACR geometric mean decrease of -34% (p=0.002) (baseline UACR>500 µg/mg) (n=11), eGFR and blood pressure were stable (n=16) and mean decreases in the biomarkers April and IgA1 of 35% and 22% overall, respectively; and

- DKD: No overall treatment effect was observed for UACR, however, reductions in systolic and diastolic blood pressure (n=28) were observed.

DM199 was generally safe and well tolerated across all cohorts. Adverse events (AEs) were generally mild to moderate in severity, with the most common being local injection site irritation that resolved without medical intervention.

We completed enrollment in REDUX with a total 79 subjects enrolled, including 21 African American subjects into Cohort 1, 25 subjects with IgAN into Cohort 2 and 33 subjects with Type 2 diabetes in Cohort 3. All subjects in Cohorts 1 and 3 have completed the trial. The last subjects in Cohort 2 will complete the treatment phase of the trial in March 2022.

CKD Phase 1b

In July 2019, we completed a Phase 1b clinical trial of DM199 in participants with moderate or severe CKD caused by Type 1 or Type 2 diabetes. We initiated dosing patients in this trial in February 2019. The trial was performed to assess the pharmacokinetics (PK) of three dose levels of DM199 (3, 5 and 8 μg/kg), administered in a single subcutaneous dose, as well as the evaluation of safety, tolerability and secondary pharmacodynamic (PD) endpoints. The trial results demonstrated that at the 3μg/kg dose level, the PK profiles were similar between moderate and severe CKD patients, and consistent with healthy subjects (normal kidney function) tested previously. Additionally, DM199 was well tolerated with no dose-limiting tolerability observed. There were no deaths, no discontinuations due to a treatment-related adverse event (AE) and no treatment-related significant adverse events (SAEs). AEs were minor and consistent with standard treatment(s) in the CKD patient population. We announced favorable overall interim PD results from the first 28 subjects that included short-term improvements in NO, average increase of 35.2%, PGE2, average increase of 41.2%, eGFR, average increase of 4.08 mL/min/1732, and the urinary albumin to creatinine ratio (UACR) excluding subjects with normal UACR levels at baseline, average decrease of 18.7%. PD results appeared to be drug related in that the greatest improvements occurred approximately 24 hours after DM199 administration and subsequently declined.

Potential DM199 Commercial Advantages

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

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

- **KLK1 treatment is sold in Japan, China and Korea**. Research has shown that patients with low levels of KLK1 are associated with a variety of diseases related to vascular dysfunction, such as AIS, CKD, retinopathy and hypertension. Clinical trial data with human urine and porcine derived KLK1 has demonstrated statistically significant clinical benefits in treating a variety of patients with KLK1 compared to placebo. These efficacy results are further substantiated by established markets in Japan, China and Korea for pharmaceutical sales of KLK1 derived from human urine and porcine pancreas. We estimate that millions of patients have been treated with these forms of KLK1 in Asia. Altogether, we believe this supports a strong market opportunity for a recombinant version of KLK1 such as DM199.

- **KLK1 treatment has had limited side effects and has been well tolerated in studies to date**. KLK1 is naturally produced by the human body; and, therefore, the body's own control mechanisms act to limit potential side effects. The side effect observed to limit patient tolerability in our clinical trials was orthostatic hypotension, or a sudden drop in blood pressure, which has been primarily seen at doses 10 to 20 times higher than our anticipated therapeutic dose levels. Moreover, routine clinical use of KLK1 treatment in Asia we understand has been well-tolerated by patients for several decades. In 2017, we completed a clinical trial comparing the pharmacokinetic profile of DM199 to the human urinary form of KLK1 (Kailikang), which showed DM199, when administered in intravenous form, had a similar pharmacokinetic profile. Further, when DM199 was administered subcutaneously, DM199 demonstrated a longer acting pharmacokinetic profile, superior to the intravenously administered Kailikang and DM199.

In addition, we believe that there are also significant formulation, manufacturing, regulatory and other advantages for recombinant human KLK1 drug candidate DM199:

- **Potency and Impurity Considerations**. KLK1 produced from human urine or porcine pancreas presents risks related to preventing impurities, endotoxins, and chemical byproducts due to the inherent variability of the isolation and purification process. We believe that this creates the risk of inconsistencies in potency and impurities from one production run to the next. However, we expect to produce a consistent formulation of KLK1 that is free of endotoxins and other impurities.

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

- **Regulatory**. We are not aware of any attempts by manufacturers of the urine or porcine based KLK1 products to pursue regulatory approvals in the United States. We believe that this is related to challenges presented by using inconsistent and potentially hazardous biomaterials, such as human urine and porcine pancreas, and their resulting ability to produce a consistent drug product. Our novel recombinant manufacturing process utilizes widely available raw materials which we believe provides a significant regulatory advantage, particularly in regions such as the United States, Europe and Canada, where safety standards are high. In addition, we believe that DM199 could qualify for 12 years of data exclusivity under the Biologics Price Competition and Innovation Act of 2009, which was enacted as part of the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act of 2010.

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.

Regulatory Approval

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

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

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

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

U.S. Approval Process

In the United States, the FDA is responsible for the drug approval process. The FDA's mission is to ensure that all medications on the market are safe and effective. The FDA's approval process examines and thoroughly reviews potential new drugs; only those that are in compliance with the Code of Regulations, 21 CFR 312 and 21 CFR 314 are approved.

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

A description of the different stages in the drug approval process in the United States follows.

Stage 1: Preclinical Research. After an experimental drug is discovered, research is conducted to help determine its potential for treating or curing an illness. This is called preclinical research. Animal and/or bench studies are conducted to determine if there are any harmful effects of the drug and to help understand how the drug works. Information from these experiments is submitted to the FDA as part of an IND application. The FDA reviews the information in the IND and decides if the drug is safe to study in humans.

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

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

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

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

- *Phase 4 Clinical Studies*. Phase 4 clinical studies are conducted after a drug is approved. Phase 4 studies may be required by the FDA or conducted by companies to more fully understand how their drug compares to other drugs. FDA-required Phase 4 studies often investigate the drug in specific types of patients that may not have been included in the Phase 3 studies and can involve very large numbers of patients to further assess the drug's safety.

Stage 3: FDA Review for Approval. Following the completion of Phase 3 clinical studies, the pharmaceutical company prepares an electronic common technical document reporting all clinical nonclinical and chemistry, manufacturing and control studies conducted on the drug that is transmitted to the FDA as a New Drug Application (NDA). The FDA reviews the information in the NDA to determine if the drug is safe and effective for its intended use. An advisory panel meeting is scheduled for a new drug allowing the FDA to gain feedback from experts. If the FDA determines that the drug is safe and effective, the drug will be approved.

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

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

The FDA also may require post-marketing testing, known as Phase 4 testing, risk evaluation and mitigation strategies and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product.

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

European Approval Process

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

Other Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services and other divisions of the U.S. government, including, the Department of Health and Human Services, the Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, if a drug product is reimbursed by Medicare, Medicaid, or other federal or state healthcare programs, a company, including its sales, marketing and scientific/educational grant programs, must comply with the federal Food, Drug & Cosmetic Act as it relates to advertising and promotion of drugs, the federal False Claims Act, as amended, the federal Anti-Kickback Statute, as amended, the Physician Payments Sunshine Act, the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), and similar state laws. If a drug product is reimbursed by Medicare or Medicaid, pricing and rebate programs must comply with, as applicable, the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA), and the Medicare Prescription Drug Improvement and Modernization Act of 2003. Among other things, OBRA requires drug manufacturers to pay rebates on prescription drugs to state Medicaid programs and empowers states to negotiate rebates on pharmaceutical prices, which may result in prices for our future products being lower than the prices we might otherwise obtain. Additionally, the ACA substantially changes the way healthcare is financed by both governmental and private insurers. There may continue to be additional proposals relating to the reform of the U.S. healthcare system, in the future, some of which could further limit coverage and reimbursement of drug products. If drug products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements may apply.

Pharmaceutical Coverage, Pricing and Reimbursement

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

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

Research and Development

We have devoted substantially all of our efforts to research and development (R&D) which therefore comprises the largest component of our operating costs. Our primary focus over the past approximately nine years has been our lead product candidate, DM199, which is currently in clinical development for the treatment of AIS and CKD.

We expect our R&D expenses will continue to increase in the future as we advance our initial product candidate, DM199, through clinical trials in AIS and CKD and seek to expand our product candidate portfolio. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming and we consider the active management and development of our clinical pipeline to be integral to our long-term success. The actual probability of success for each product candidate, clinical indication and preclinical program may be affected by a variety of factors including, among other things, the safety and efficacy data for each product candidate, amounts invested in their respective programs, competition and competitive developments, manufacturing capability and commercial viability.

R&D expenses include:

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

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

We expect that it will be at least three to five years, if ever, before we have any product candidates ready for commercialization.

Manufacturing

We do not own or operate manufacturing facilities for the production of clinical quantities of DM199 nor do we have plans to develop our own manufacturing operations in the foreseeable future. We rely on Catalent Pharma Solutions, LLC (Catalent), a contract manufacturing organization (CMO) with proven GMP experience in the manufacturing of recombinant proteins for clinical trials, for all of our required raw materials and active pharmaceutical ingredients for our clinical trials. We have licensed certain gene expression technology and we contract with Catalent for the manufacture of DM199. We currently employ internal resources and third-party consultants to manage our manufacturing relationship with Catalent.

Sales and Marketing

We have not yet defined our sales, marketing or product distribution strategy for our initial product candidate, DM199, or any future product candidates. We currently expect to partner with a large pharmaceutical company for sales execution. However, our future commercial strategy may include the use of distributors, a contract sales force or the establishment of our own commercial and specialty sales force, as well as similar strategies for regions and territories outside the United States.

Intellectual Property

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

Our DM199 patent portfolio includes three granted U.S. patents, a granted European patent and pending applications in Australia, Canada, China, Europe, India, Japan, Korea and the United States. Granted or pending claims offer various forms of protection for DM199 including claims to compositions of matter, pharmaceutical compositions, specific formulations and dosing levels and methods for treating a variety of diseases, including chronic kidney disease, stroke and related disorders. These U.S. patents and applications, and their foreign equivalents, are described in more detail below.

Issued patents held by us cover the DM199 composition of matter based on an optimized combination of closely-related isoforms that differ in the extent of glycosylation (process by which sugars are chemically attached to proteins). Issued claims in this patent family cover the most pharmacologically active variants of DM199 and methods of using the same for treating ischemic conditions and these patents are due to expire in 2033. A second patent family includes an issued U.S. patent with claims directed to methods of treating subjects by administering a SC formulation of DM199 or related recombinant kallikrein-1 (KLK1) polypeptides and is predicted to expire in 2033. The pending applications are directed to a range of dose levels and dosing regimens of DM199 that are potentially useful for treating a wide range of diseases including, e.g. pulmonary arterial hypertension, cardiac ischemia, chronic kidney disease, diabetes, stroke and vascular dementia which, if granted, are predicted to expire in 2038.

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

Methods and reagents required for commercial scale manufacture of DM199 are subject to a series of patents issued to Catalent. We license these patents from Catalent, and such license is exclusive as it relates to the production of DM199 or any human KLK1 protein.

We believe that our proprietary technology along with trade secrets and specialized knowledge of the manufacturing process will provide substantial protection from third-party competitors. We also believe that DM199 cannot be easily reverse engineered for the production of a copycat version.

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

Patent/Application Number	Title	Geography	Predicted Expiration
Issued patents			
US 9,364,521	Human Tissue Kallikrein 1 Glycosylation Isoforms	US	2033
US 9,839,678	Human Tissue Kallikrein 1 Glycosylation Isoforms	US	2033
EP 2 854 841	Human Tissue Kallikrein 1 Glycosylation Isoforms	Europe	2033
US 9,616,015	Formulations for Human Tissue Kallikrein-1 for Parenteral Delivery and Related Methods	US	2033
Pending applications			
AU 2018230478	Dosage Forms of Tissue Kallikrein 1	Australia	2038
CA 3054962	Dosage Forms of Tissue Kallikrein 1	Canada	2038
CN 201880016380.4	Dosage Forms of Tissue Kallikrein 1	China	2038
EP 18763243.5	Dosage Forms of Tissue Kallikrein 1	Europe	2038
IN 201917037712	Dosage Forms of Tissue Kallikrein 1	India	2038
JP 2019-548655	Dosage Forms of Tissue Kallikrein 1	Japan	2038
KR 10-2019-7026369	Dosage Forms of Tissue Kallikrein 1	Korea	2038
US 16/492,059	Dosage Forms of Tissue Kallikrein 1	US	2038

The base term of a U.S. patent is 20 years from the filing date of the earliest-filed non-provisional patent application from which the patent claims priority. The term of a U.S. patent can be lengthened by patent term adjustment, which compensates the owner of the patent for administrative delays at the U.S. PTO. In some cases, the term of a U.S. patent is shortened by terminal disclaimer that reduces its term to that of an earlier-expiring patent.

The term of a U.S. patent may also be eligible for patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act, to account for at least some of the time the drug is under development and regulatory review after the patent is granted. With regard to a drug for which FDA approval is the first permitted marketing of the active ingredient, the Hatch-Waxman Act allows for extension of the term of one U.S. patent that includes at least one claim covering the composition of matter of an FDA-approved drug, an FDA-approved method of treatment using the drug, and/or a method of manufacturing the FDA-approved drug. The extended patent term cannot exceed the shorter of five years beyond the non-extended expiration of the patent or 14 years from the date of the FDA approval of the drug. Some foreign jurisdictions, including Europe and Japan, also have patent term extension provisions, which allow for extension of the term of a patent that covers a drug approved by the applicable foreign regulatory agency. In the future, if and when our pharmaceutical products receive FDA approval, we expect to apply for patent term extension on patents covering those products, their methods of use, and/or methods of manufacture.

In addition to patents, we rely on trade secrets and know-how to develop and maintain our competitive position. Companies typically rely on trade secrets to protect aspects of their business that are not amenable to, or that they do not consider appropriate for, patent protection. We protect trade secrets, if any, and know-how by establishing confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors and partners. These agreements provide that all confidential information developed or made known during the course of an individual or entity's relationship with us must be kept confidential during and after the relationship. These agreements also generally provide that all relevant inventions resulting from work performed for us or relating to our business and conceived or completed during the period of employment or assignment, as applicable, shall be our exclusive property. In addition, we take other appropriate precautions, such as physical and technological security measures, to guard against misappropriation of our proprietary information by third parties.

Employees

As of December 31, 2021, we had 15 employees, 14 of which were full-time employees. We have never had a work stoppage and none of our employees are covered by collective bargaining agreements. We believe our employee relations are good.

Information About Our Executive Officers

The following table sets forth information as of March 10, 2022 regarding each of our current executive officers:

Name	Age	Positions
Rick Pauls	50	President and Chief Executive Officer, Director
Scott Kellen	56	Chief Financial Officer and Secretary
Kirsten Gruis, M.D.	49	Chief Medical Officer
Harry Alcorn, Pharm.D.	65	Senior Vice President, Clinical Operations
Dominic Cundari	71	Chief Commercial Officer

The present principal occupations and recent employment history of each of our executive officers are set forth below.

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

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

Kirsten Gruis, M.D. was appointed our Chief Medical Officer effective as of January 3, 2022. Prior to joining DiaMedica, Dr. Gruis served as an independent clinical development consultant for several biotech companies. Prior to these consulting engagements, from March 2020 to January 2021, Dr. Gruis served as Chief Medical Officer for Edgewise Therapeutics, Inc., a clinical-stage biopharmaceutical company that is developing orally bioavailable, small molecule therapies for musculoskeletal diseases. Prior to Edgewise, Dr. Gruis served as Franchise Head, Neuromuscular at F. Hoffmann-La Roche AG, commonly known as Roche, a Swiss multinational healthcare company, from November 2018 to December 2019, and as Chief Medical Officer of Agilis Biotherapeutics, Inc., a biotechnology company, from April 2017 to August 2018. Prior to Agilis, Dr. Gruis served in various clinical development positions with the following biopharmaceutical companies: Wave Life Sciences Ltd., Idera Pharmaceutics, Inc., Alynylam Pharmaceuticals Inc. and Pfizer Inc. Prior Pfizer, Dr. Gruis was Associate Professor at SUNY Upstate from March 2012 to July 2013 and prior to that position was an Assistant/Associate Professor at the University of Michigan where she was practicing neurologist and neuromuscular specialist. Dr. Gruis earned her Medical Doctorate from the University of Iowa College of Medicine, has a Master of Science in Clinical Trial Design and Statistical Analysis from the University of Michigan, School of Public Health, and earned her Bachelor of Science in Microbiology from Iowa State University.

Dominic Cundari was appointed our Chief Commercial Officer effective as of February 1, 2022. Mr. Cundari has over 30 years of pharmaceutical experience in various commercial roles in high growth markets. Prior to joining DiaMedica, Mr. Cundari served as an independent commercial strategy and development consultant for Genentech, a global biotechnology company, since February 2009. From January 1988 to January 2009, Mr. Cundari held a variety of sales and marketing management positions across multiple medical specialties at Genentech. As Senior Director for the Vascular Franchise, Mr. Cundari was responsible for shaping commercial strategies, leading product launches in cardiology, pulmonary and neurology specialties and establishing strategic partnerships with telemedicine companies. Mr. Cundari holds both a Master of Science and Bachelor of Arts in Psychology from Villanova University.

Harry Alcorn Jr. Pharm.D. was appointed Senior Vice President of Clinical Operations in August 2018 and served as our Chief Medical Officer until Dr. Gruis joined us in January 2022. Prior to joining DiaMedica, Dr. Alcorn served as Chief Scientific Officer at DaVita Clinical Research (DCR), a company that provides clinical research services for Pharmaceutical and Biotech companies, from October 1997 to June 2018. While at DCR, Dr. Alcorn was responsible for clinical research operations, including the formation and management of the early clinical and late phase research services. Dr. Alcorn also founded the U.S. Renal Network, the first network of Phase 1 renal research sites in the United States. Dr. Alcorn developed DCR's site management organization for clinical trials. Dr. Alcorn also served as an Executive Director, a Pharmacist and an Investigator at DCR. During this time, from January 2013 to December 2014, he also served on the Board of Directors for the Association of Clinical Pharmacology Units, an association of Phase 1 clinical trial sites. Dr. Alcorn has over 30 years of clinical research experience working with biotech and pharmaceutical companies, both public and private, in conducting research in renal, hepatic and cardiovascular disease. Dr. Alcorn has written and consulted on the development of several protocols and has served as Principal Investigator or Sub Investigator in numerous studies and, for several of these studies, presented study design and results to the FDA. Currently he holds clinical faculty appointments with the University of Minnesota, Creighton University, University of Nebraska Medical Center, Virginia Commonwealth and the University of Colorado, Denver. Dr. Alcorn graduated from Creighton University with a Bachelor of Pharmacy and went on to earn his Doctor of Pharmacy degree from University of Nebraska Medical Center.

Available Information

We are a corporation governed under British Columbia's Business Corporations Act (BCBCA). Our company was initially incorporated pursuant to The Corporations Act (Manitoba) by articles of incorporation dated January 21, 2000. Our articles were subsequently amended several times, including on April 11, 2016 to continue the Company from The Corporations Act (Manitoba) to the Canada Business Corporations Act (CBCA) and on May 31, 2019, to continue our existence from a corporation incorporated under the CBCA into British Columbia under the BCBCA.

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

We make available, free of charge and through our Internet web site, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to any such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Reports filed with the SEC may be viewed at www.sec.gov.

Implications of Being an Emerging Growth Company

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act), and we may remain an emerging growth company for up to five years from December 31, 2018. However, if certain events occur prior to the end of such five-year period, including if we become a large accelerated filer, our annual gross revenue exceeds $1.07 billion, or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure and other requirements that are applicable to other public companies that are not emerging growth companies. In particular, in this report, we have provided only two years of audited financial statements and have not included certain other information that would be required if we were not an emerging growth company. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold equity interests. However, we have irrevocably elected not to avail ourselves of the extended transition period for complying with new or revised accounting standards, and, therefore, we are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Item 1A. Risk Factors

The following are the material factors known to us that could materially adversely affect our business, operating results or financial condition.

Risk Factors Summary

This summary is not complete and should be read in conjunction with the risk factors that follow.

Risks Related to Our DM199 Product Candidate and Clinical Trials

- Our prospects depend on the clinical success and commercial potential of DM199, which is in the clinical stage of development.
- We are required to conduct clinical trials and if these trials fail to demonstrate the safety and efficacy of DM199, or any future product candidate, we will not obtain the approvals required to market and commercialize the product.
- The COVID-19 pandemic has resulted in delays in clinical trial site activations and patient enrollments and hospital and medical facility staffing shortages, which will likely continue to adversely affect our clinical trials during 2022.
- The adaptive design of our ReMEDy2 trial could result in the trial being required to enroll more patients than anticipated increasing the time and costs to complete the trial, which may require additional funding that may not be available to us on acceptable terms, or at all.
- We may be required to suspend, repeat or terminate our clinical trials if they are not conducted in accordance with regulatory requirements, the results are negative or inconclusive or the trials are not well designed.

Risks Related to Governmental and Regulatory Compliance and Approvals

- The regulatory approval process is expensive, time-consuming and uncertain and may prevent us or any future partner or collaborator from obtaining approvals for the commercialization of DM199 or any future product candidate.
- Any product candidate for which we, or any future partner or collaborator, obtain marketing approval could be subject to post-marketing restrictions or recall or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with the product candidate.

Risks Related to Our Reliance on Third Parties

- We rely on contract manufacturers over whom we have limited control.
- We rely on third parties to plan, conduct and/or monitor our clinical trials, and their failure to perform could cause delays in completing our product development.
- Future development collaborations are expected to be important to us.

Risks Related to the Future Commercialization of DM199 or Any Future Product Candidate

- The successful commercialization of DM199 or any future product candidate, if approved, will depend on market acceptance and coverage and adequate reimbursement for the product.
- We, or any future partner, will likely face competition from other biotechnology and pharmaceutical companies, many of which have substantially greater resources and our DM199 product candidate may face competition sooner than expected.

Risks Related to Intellectual Property

- We may be unable to adequately protect our technology and enforce our intellectual property rights.
- We, or a future partner, may require additional third-party licenses to effectively develop, manufacture and commercialize DM199 or any future product candidate, and such license might not be available on commercially-acceptable terms, or at all.
- Changes in patent law and its interpretation could diminish the value of our patents.
- Intellectual property litigation may be expensive, time consuming and cause delays in the development, manufacturing and commercialization of DM199 or any future product candidate.
- We could lose important intellectual property rights that we currently license from a third party if we fail to comply with our obligations under the license agreement or otherwise experience disruptions to our relationship with this third party.

Risks Related to Our Financial Position and Need for Additional Capital

- We have incurred and expect to continue to incur substantial losses and may never become profitable.
- Since we have no revenue from product sales and do not expect any revenue from product sales for at least three or four years, we will need additional funding to continue our R&D activities and other operations, which may not be available to us on acceptable terms, or at all.

Risks Related to Human Capital Management

- We heavily rely on the capabilities and experience of our key executives and scientists and the loss of any of them could affect our ability to develop DM199 or any future product candidate.
- We will likely need to expand our operations and increase the size of our company and we may experience difficulties in managing growth.

Risks Related to Our Common Shares

- Our common share price has been and may continue to be volatile and no assurance can be provided that an active trading market for our shares will continue.
- We may issue additional common shares resulting in share ownership dilution, and if there are substantial sales of our common shares or the perception that such sales may occur, the market price of our common shares could decline.

Risks Related to Our Jurisdiction of Organization

- We are governed by the corporate laws of British Columbia, which in some cases have a different effect on shareholders than the corporate laws in effect in the United States.
- We may be classified as a “passive foreign investment company” in future taxable years, which may have adverse U.S. federal income tax consequences for U.S. shareholders and adversely affect the level of interest in our common shares by U.S. investors.

Risks Related to Our DM199 Product Candidate

Our prospects depend on the clinical and commercial success of our DM199 product candidate which is in the clinical stage of development.

We are highly dependent on the success of DM199 and we may not be able to successfully obtain regulatory or marketing approval for, or successfully commercialize, this product candidate. To date, we have expended significant time, resources and effort on the development of DM199, including conducting preclinical and clinical trials, for the treatment of AIS and CKD. DM199 requires significant additional clinical testing and investment prior to seeking marketing approval. A commitment of substantial resources by ourselves and any potential partner or collaborator to continue to conduct the clinical trials for DM199 will be required to obtain required regulatory approvals and successfully commercialize this product candidate. Although we intend to study the use of DM199 to treat multiple diseases, we have no other product candidates in our current clinical development pipeline, with the exception of our new product candidate, DM300, which is in the early, pre-clinical stage of development and is intended to treat other inflammatory diseases. Our ability to generate revenue from product sales and to achieve commercial success with DM199 will depend almost entirely on our ability to demonstrate sufficient safety and efficacy to obtain regulatory approval for DM199. We may fail to complete required clinical trials successfully, obtain regulatory approvals, or commercialize DM199. Competitors may develop alternative products and methodologies to treat the diseases or indications that we are pursuing, thus reducing or eliminating the anticipated competitive advantages of DM199. We do not know whether any of our product development efforts will prove to be effective, meet applicable regulatory standards required to obtain the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. DM199 is not expected to be commercially viable for at least three or four years. In addition, although no significant adverse events have occurred to date in our clinical trials, it is possible that DM199 may be observed to cause undesirable side effects. Results of early preclinical and clinical research may not be indicative of the results that will be obtained in later stages of clinical research. If regulatory authorities do not approve DM199 for the treatment of AIS and/or CKD or any other indications, or if we fail to maintain regulatory compliance, we would be unable to commercialize DM199 and our business and results of operations would be harmed. If we do succeed in developing viable products from DM199, we will face many potential future obstacles, such as the need to develop or obtain manufacturing, sales and marketing and distribution capabilities.

The clinical success and commercial potential of our DM199 product candidate will depend on a number of factors, many of which are beyond our control.

The clinical success and commercial potential of our DM199 product candidate will depend on a number of factors, many of which are beyond our control, including, among others:

- the timely initiation, continuation and completion of our currently ongoing Phase 2 and Phase 2/3 clinical trials and future clinical trials for DM199, which will depend substantially upon requirements for such trials imposed by the FDA and other regulatory agencies and bodies;
- our ability to demonstrate the safety and efficacy of DM199 to the satisfaction of the relevant regulatory authorities or third-party payers;
- whether we are required by the FDA or other regulatory authorities to conduct additional clinical trials, and the scope and nature of such clinical trials, prior to or after approval to market our DM199 product candidate;
- the timely receipt of necessary marketing approvals from the FDA and foreign regulatory authorities, as well as pricing and reimbursement determinations;
- the ability to successfully commercialize DM199, if approved by the FDA or foreign regulatory authorities, whether alone or in collaboration with others;
- our ability and the ability of third-party manufacturers to manufacture the quantities of DM199, with quality attributes necessary to meet regulatory requirements, sufficient to meet anticipated demand and at a cost that allows us or a future partner to achieve profitability;
- acceptance of DM199, if approved, as safe and effective by patients and the healthcare providers;
- the achievement and maintenance of compliance with all regulatory requirements applicable to DM199 by us and our third-party manufacturers and supporting vendors;
- the maintenance of an acceptable safety profile of DM199 following any approval;
- the availability, perceived advantages, relative cost, relative safety and relative efficacy of alternative and competitive treatments;
- our ability to provide approved product with a convenient and patient-friendly administration method;
- our ability or the ability of a future partner to successfully enforce our intellectual property rights for DM199 and against the products of potential competitors; and
- our ability to avoid or succeed in defending any third-party patent interference or patent infringement claims.

No assurance can be provided that we will ever be able to achieve profitability through the sale of, or royalties from, our DM199 product candidate. If we or any future partners or collaborators are not successful in obtaining approval for and commercializing DM199, or are delayed in completing those efforts, our business and operations would be substantially harmed.

Risks Related to Our Clinical Trials

If clinical trials of DM199, or any future product candidate, fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we would incur additional costs and experience delays in completing, or may ultimately be unable to complete, the development of DM199 or any future product candidate and therefore be unable to commercialize it.

Before obtaining marketing approval from regulatory authorities for the sale of DM199 or any future product candidate, we must conduct preclinical trials and extensive clinical trials in humans to demonstrate the safety and efficacy of our product candidate. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of preclinical trials and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial may not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, including the emergence of undesirable side effects, notwithstanding promising results in earlier trials. We do not know whether the clinical trials we are currently conducting or may conduct in the future will demonstrate adequate efficacy and safety to support regulatory approval to market DM199 or any future product candidate in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. In addition, the patient populations in our clinical trials for DM199 often have co-morbidities that may cause severe illness or death, which may be attributed to DM199 in a manner that negatively affects the safety profile of our DM199 product candidate. If the results of our ongoing or future clinical trials for DM199 are inconclusive with respect to efficacy, if we do not meet our clinical endpoints with statistical significance, or if there are unanticipated safety concerns or adverse events that emerge during clinical trials, we may be prevented from or delayed in obtaining marketing approval, and even if we obtain marketing approval, any sales of DM199 may be limited.

If we have difficulty engaging clinical trial sites for, or enrolling patients in, our clinical trials or experience other delays in clinical testing, we will be delayed in commercializing DM199 or any future product candidate, and our business may be substantially harmed.

We cannot predict whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Our product development costs will increase if we experience delays in clinical testing. Significant clinical trial delays could shorten any periods during which we or a future partner may have the exclusive right to commercialize DM199 or any future product candidate or allow our competitors to bring products to market before us, which would impair the ability to successfully commercialize DM199 or any future product candidate and may harm our financial condition, results of operations and prospects. The commencement and completion of clinical trials for DM199 or any future product candidate may be delayed for a number of reasons, including among others:

- patients choosing an alternative treatment for the indications for which we are developing our product candidate or participating in competing clinical trials;

- competing clinical trials and scheduling conflicts with participating clinicians;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of our contract manufacturers to comply with current Good Manufacturing Practices (cGMP) requirements;
- any changes to our manufacturing process that may be necessary or desired which affect our ability to produce adequate or timely clinical drug supply;
- delays or failure to obtain clinical drug supply from contract manufacturers of our product candidate necessary to conduct clinical trials;
- the product candidate demonstrating a lack of safety or efficacy during clinical trials;
- patients failing to enroll or complete clinical trials at the rates and within the timelines we expect due to dissatisfaction with the treatment, side effects, or other reasons;
- clinical investigators not performing our clinical trials on their anticipated schedule, dropping out of a trial or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- inspections of clinical trial sites by regulatory authorities, Institutional Review Boards (IRBs) or ethics committees finding regulatory violations that require us to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire trial; or
- public health crises, epidemics and pandemics, such as the COVID-19 pandemic, which adversely impact and may continue to adversely impact our ability to engage clinical trial sites, recruit or enroll subjects for our clinical trials and obtain the requisite staffing for our clinical trials.

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

The COVID-19 pandemic has resulted in delays in clinical trial site activations and patient enrollments and hospital and medical facility staffing shortages which will likely continue during 2022 and continue to adversely affect our clinical trials.

The COVID-19 pandemic, especially in light of the Delta and Omicron, is having a severe effect on the clinical trials of many drug candidates. Some trials have been merely delayed, while others have been cancelled. We have experienced slower than expected site activations and enrollments in our clinical trials due to the reduction or suspension of activities at our clinical trial sites, staffing shortages and patient concerns related to visiting clinical trial sites. We anticipate that the COVID-19 pandemic, and variants of COVID-19, will likely continue to adversely affect our ability to recruit or enroll subjects and initiate new clinical trial sites, and we cannot provide any assurance as to when these issues will resolve.

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 emergence of new variants, the duration and severity of each variant and the overall the pandemic, and the effectiveness of actions to contain, treat and prevent COVID-19, including the availability, effectiveness and acceptance of vaccines and vaccine booster shots. The resurgence of the COVID-19 pandemic caused by the Delta and Omicron variants, or the emergence of any new variants in the future, could cause us to experience continued and/or additional disruptions that could severely impact our business and clinical trials, including:

- continued or additional delays or difficulties in enrolling or retaining participants in our clinical trials;
- delays or difficulties in the identification and initiation of a sufficient number of investigators and clinical sites to recruit sufficient participants at an acceptable rate due to pandemic related restrictions or inadequate clinical site staff;
- changes in local regulations as part of a response to the pandemic, which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or require us to discontinue the clinical trials altogether;
- inability or unwillingness of participants to comply with clinical trial protocols;
- 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 trial 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 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, required quarantines or the desire of employees to avoid contact with large groups of people.

As a result, the expected timeline for our ReMEDy2 trial and the full data readout of our REDUX trial has been and may continue to be negatively impacted, which has also adversely affected the timing of certain regulatory filings and our ability to initiate required follow-on trials, obtain regulatory approval for and to commercialize our DM199 product candidate.

The adaptive design of our ReMEDy2 trial could result in the trial being required to enroll more patients than anticipated increasing the time and costs to complete the trial, which may result in a need additional funding that may not be available to us on favorable terms or at all.

Our ReMEDy2 trial is currently targeted to enroll approximately 350 patients at 75 sites in the United States. However, with the trial's adaptive design, it is possible that the number of patients required to complete the trial may increase significantly. If we are required enroll more patients than currently anticipated, it will increase the time and costs to complete the trial, which may result in a need for additional funding that may not be available to us on acceptable terms, or at all.

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

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

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

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

We have conducted and may in the future conduct clinical trials for our product candidates 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 candidates outside the United States. Clinical trial conducted outside the United States must be conducted in accordance with cGCP requirements, and the FDA must be able to validate the data from the clinical trial through an onsite inspection if it deems such an inspection necessary. If the FDA does not accept data from clinical trials we conduct outside the United States, 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 for the treatment of AIS. 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 currency exchange rate 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.

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

The FDA and the EMA have each established regulations to govern the product development and approval process, as have other foreign regulatory authorities. The policies of the FDA, the EMA and other regulatory authorities may change. For example, in December 2016, the 21st Century Cures Act (Cures Act) was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and spur innovation, but not all of its provisions have yet been implemented. Additionally, in August 2017, the FDA issued final guidance setting forth its current thinking with respect to development programs and clinical trial designs for antibacterial drugs to treat serious bacterial diseases in patients with an unmet medical need. We cannot predict what if any effect the Cures Act or any existing or future guidance from the FDA or other regulatory authorities will have on the development of DM199 or any future product candidate.

Risks Related to Governmental and Regulatory Compliance and Approvals

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

Prior to commencing additional clinical trials in the United States for DM199 or any future product candidate, we will be required to have an accepted IND for each product candidate and for each targeted indication. In April 2021, we filed, and in May 2021, the FDA accepted, an IND for the Phase 2/3 ReMEDy2 trial in patients with AIS. A submission of an IND may not necessarily result in the FDA allowing further clinical trials to begin and, once begun, issues may arise that will require us to suspend or terminate such clinical trials. Additionally, even if relevant regulatory authorities agree with the design and implementation of the clinical trials set forth in an IND, these regulatory authorities may change their requirements in the future. Failure to submit or obtain acceptance of INDs may cause the development of DM199 or any future product candidate to be delayed or terminated, which could materially and adversely affect our business and prospects.

Even if we complete the necessary preclinical trials and clinical trials, the regulatory approval process is expensive, time-consuming and uncertain and may prevent us or any future partner or collaborator from obtaining approvals for the commercialization of DM199 or any future product candidate.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive and may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidate involved. Our DM199 or any future product candidate, and the activities associated with their development and commercialization, including design, research, testing, manufacture, quality control, recordkeeping, labeling, packaging, storage, approval, advertising, promotion, sale, distribution, import, export and reporting of safety and other post-market information, are subject to comprehensive regulation by the FDA, the EMA and other similar foreign regulatory agencies. Failure to obtain marketing approval for DM199 or any future product candidate will prevent us or any future partner or collaborator from commercializing the product candidate. We have only limited experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third-parties to assist us in this process. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA, EMA or other regulatory authorities may determine that DM199 or any future product candidate may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit its commercial use. As a result, any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable. Our inability to obtain regulatory approval for DM199 or any future product candidate, or if such approval is limited, could substantially harm our business.

We have received Fast Track Designation for DM199 for the treatment of AIS, and we may seek such designation for other uses of DM199 or future product candidates. Fast Track Designation may not actually lead to a faster FDA review and approval process, and there is no guarantee we will be able to maintain such designation.

In September 2021, we received Fast Track Designation from the FDA for DM199 for the treatment of AIS where tPA and/or mechanical thrombectomy are not indicated or medically appropriate. Additionally, in the future, we may seek Fast Track Designation for other uses of DM199 or future product candidates, though we cannot guarantee the FDA will grant such designation. Fast Track is a process intended to facilitate the development and expedite the review of investigational drugs for the treatment of serious or life-threatening conditions where there is an unmet medical need. Drugs that receive Fast Track Designation may be eligible for more frequent communications and meetings with FDA to review the drug's development plan, including the design of the proposed clinical trials, use of biomarkers and the extent of data needed for approval. Drugs with Fast Track Designation may also qualify for accelerated and priority review of new drug applications if relevant criteria are met. However, Fast Track Designation may not actually lead to a faster review process, and a delay in the review process or in the approval of DM199 will delay revenue from potential sales and will increase the capital necessary to fund our development programs and operations. Additionally, Fast Track Designation is within the discretion of the FDA and may be withdrawn if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

Any product candidate for which we or any future partner or collaborator obtains marketing approval could be subject to post-marketing restrictions or recall or withdrawal from the market, and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with the product candidate, when and if it is approved.

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

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

- litigation involving patients using our products;
- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;

- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- damage to relationships with any then current or potential partners;
- unfavorable press coverage and damage to our or any future partner's reputation;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

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

Current and future legislation may increase the difficulty and cost for us and any future partner or collaborator to obtain marketing approval of and commercialize DM199 or any future product candidate and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of DM199 or any future product candidate, restrict or regulate post-approval activities and affect our ability to profitably sell DM199 or any future product candidate for which we obtain marketing approval.

Among policy makers and payers in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. For example, the ACA includes measures to change health care delivery, decrease the number of individuals without insurance, ensure access to certain basic health care services, and contain the rising cost of care. This healthcare reform movement, including the enactment of the ACA, has significantly changed health care financing by both governmental and private insurers in the United States. With respect to pharmaceutical manufacturers, the ACA increased the number of individuals with access to health care coverage, including prescription drug coverage, but it simultaneously imposed, among other things, increased liability for rebates and discounts owed to certain entities and government health care programs, fees for the manufacture or importation of certain branded drugs and transparency reporting requirements under the Physician Payments Sunshine Act. In addition to the ACA, other federal health reform measures have been proposed and adopted in the United States. We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and additional downward pressure on the price that we may receive for any product, if approved. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payers.

The 117th United States Congress has closely monitored drug pricing and healthcare spending in the United States. Many members of Congress have prioritized policies targeting reducing drug prices and healthcare spending and are committed to lowering spending in federal government programs. Pending legislation, such as the Prescription Drug Pricing Reduction Act and the Elijah E. Cummings Lower Drug Costs Now Act, could significantly change healthcare spending. Additionally, the current U.S. presidential administration has prioritized reducing drug pricing and price transparency in the healthcare industry. On July 9, 2021, an Executive Order was signed directing federal agencies to develop and implement policies to lower drug prices. The implementation of cost containment measures or other healthcare reforms may prevent us or a future partner from being able to generate sufficient revenue, attain profitability or even commercialize at all DM199 or any future product candidate.

Risks Related to Our Reliance on Third Parties

We rely on contract manufacturers over whom we have limited control. If we are subject to quality, cost or delivery issues with the materials supplied by these or future contract manufacturers, we may be unable to produce adequate supplies of DM199 or any future product candidate, and our clinical and business operations could suffer significant harm.

Completion of our clinical trials and commercialization of our DM199 product candidate and any future product candidate require access to, or development of, facilities to manufacture our product candidates at sufficient yields and, ultimately, at commercial scale. Clinical and commercial drug product must be produced under applicable cGMP regulations. Failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. We rely on CMOs to manufacture DM199. We rely on CMOs for manufacturing, filling, labeling, packaging, storing and shipping DM199 in compliance applicable cGMP regulations. The FDA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations.

As a company, we have no direct experience in manufacturing or managing third parties in manufacturing our DM199 product candidate in the volumes that are expected to be necessary to support commercialization, if DM199 is approved. Our efforts to establish these capabilities may not meet our requirements as to scale-up, timeliness, yield, cost or quality in compliance with applicable cGMP regulations. We or any future partner or collaborator or our CMOs may encounter difficulties in production, which may include the following, among others:

- costs and challenges associated with scale-up and attaining sufficient manufacturing yields;
- supply chain issues, including the timely availability and shelf life requirements of raw materials and supplies and the lack of redundant and backup suppliers;
- quality control and assurance;
- shortages of qualified personnel and capital required to manufacture large quantities of our product candidate;
- competing capacity needs at CMOs supporting product development as quantities for supply increase;
- establishment of commercial supply capacity through binding supply agreements;
- compliance with regulatory requirements that vary in each country where a product might be sold;
- capacity limitations and scheduling availability in contracted facilities; and
- natural disasters, cyberattacks or other force majeure events that affect facilities and possibly limit production or loss of product inventory maintained in third party storage facilities.

There can be no assurances that our current CMOs or any future CMOs will be able to meet our timetable and requirements for our DM199 product candidate or any future product candidate. If we are unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, we may be delayed in the development of DM199 or any future product candidate. Further, CMOs failing to operate in compliance with cGMP regulations could result in, among other things, the disruption of product supplies. Our dependence upon our current CMOs and any future CMOs for the manufacture of our product candidates may adversely affect our ability to develop our product candidates in a timely and competitive basis and, if we or a future partner are able to commercialize our product candidates, may adversely affect our revenues from product sales and significantly harm our business.

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

We rely and will continue to rely on third parties to conduct a significant portion of our preclinical and clinical development activities. Preclinical activities include in vivo studies in specific disease models, pharmacology and toxicology studies and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in our relationship with third parties, or if they are unable to provide quality services in a timely manner and at a feasible cost, our development programs may face delays. Further, if any of these third parties fail to perform as we expect or if their work fails to meet regulatory requirements, our clinical testing could be delayed, cancelled or rendered ineffective. This happened to us in the past and resulted in us commencing litigation against Pharmaceutical Research Associates Group B.V. (PRA Netherlands) as a result of its handling of 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, as described later in this report, and could happen again.

Our inability to maintain contractual relationships with physicians could have a negative impact on our research and development.

We maintain contractual relationships with respected physicians in hospitals and universities who assist us in the design of our clinical trials and interpretation of trial results. If we are unable to enter into and maintain these relationships, our ability to develop, obtain required regulatory approvals for, and market our DM199 or any future product candidate could be adversely affected. In addition, it is possible that U.S. federal and state and international laws requiring us to disclose payments or other transfers of value, such as gifts or meals, to surgeons and other healthcare providers could have a chilling effect on the relationships with individuals or entities that may, among other things, want to avoid public scrutiny of their financial relationships with us.

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

In the future, we intend to seek to collaborate with pharmaceutical and biotechnology companies for the development and/or commercialization of DM199. We face significant competition in seeking appropriate collaborators or partners. Our ability to reach a definitive agreement for any collaboration will depend, among other things, upon our assessment of the collaborator's or partner's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's or partner's evaluation of a number of factors. If we are unable to reach agreements with suitable collaborators or partners on a timely basis, on acceptable terms, or at all, we may have to curtail the development of our DM199 product candidate and take certain actions including, among other things, reducing or delaying its development program, delaying its potential development schedule or reducing the scope of research activities. If we fail to enter into one or more collaborations and do not have sufficient funds or expertise to undertake the necessary development or clinical trial activities, we may not be able to continue or further develop DM199 and our business may be materially and adversely affected.

Future collaborations we may enter into may involve the following risks, among others:

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

If a collaborator terminates its agreement with us, we may find it more difficult to attract new collaborators and the way we are perceived in the business and financial communities could be adversely affected.

If our collaborations do not result in the successful development of DM199 or any future product candidate, development could be delayed and we may need additional resources to develop DMI99 or any future product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this report also apply to the activities of our future collaborators.

Risks Related to the Future Commercialization of DM199 or Any Future Product Candidate

The successful commercialization of DM199 or any future product candidate, if approved, will depend on achieving market acceptance and we may not be able to gain sufficient acceptance to generate significant revenue.

Even if DM199 or any future product candidate is successfully developed and receives regulatory approval, it may not gain market acceptance among physicians, patients, healthcare payers such as private insurers or governments and other funding parties. The degree of market acceptance for DM199 or any product candidate we develop will depend on a number of factors including, among others:

- demonstration of sufficient clinical efficacy and safety;
- the prevalence and severity of any adverse side effects;
- limitations or warnings contained in the product's approved labeling;

- cost-effectiveness and availability of acceptable pricing;
- the availability of alternative treatment methods and the superiority of alternative treatment methods;
- the effectiveness of marketing and distribution methods and support for the product; and
- coverage and reimbursement policies of government and third-party payers to the extent that the product could receive regulatory approval but not be approved for coverage by or receive adequate reimbursement from government and quasi-government agencies or other third-party payers.

If we fail to obtain coverage and adequate reimbursement for DM199 or any future product candidate, its revenue-generating ability will be diminished and there is no assurance that the anticipated market for the product will develop or be sustained.

Our or a future partner's ability to successfully commercialize DM199 or any future product candidate will depend, in part, on the extent to which coverage of and adequate reimbursement for such product and related treatments will be available from governmental health payer programs at the federal and state levels, including Medicare and Medicaid, private health insurers, managed care plans and other organizations. No assurance can be given that third-party coverage or adequate reimbursement will be available that will allow us or a future partner to obtain or maintain price levels sufficient for the realization of an appropriate return on our investment in product development. Coverage and adequate reimbursement is critical to new product acceptance by healthcare providers. There is no uniform coverage and reimbursement policy among third-party payers in the United States; however, private third-party payers may follow Medicare coverage and reimbursement policy in setting their own coverage policy and reimbursement rates. Additionally, coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Even if coverage is obtained for DM199 or any future product candidate, the related reimbursement rates might not be adequate to make the product attractive to providers, or may require patient cost sharing (e.g., copayments/deductibles) that patients find unacceptably high. In addition, healthcare reform and controls on healthcare spending may limit coverage of the product and the price we charge and get paid for the product and the volumes thereof that we can sell. Patients are unlikely to use DM199 or any future product candidate unless coverage is provided and reimbursement is adequate to cover a significant portion of its cost.

Outside of the United States, the successful commercialization of DM199 or any future product candidate will depend largely on obtaining and maintaining government coverage, because in many countries, patients are unlikely to use prescription drugs that are not covered by their government healthcare programs. Negotiating coverage and reimbursement with governmental authorities can delay commercialization by 12 months or more. Coverage and reimbursement policies may adversely affect our or a future partner's ability to sell DM199 or any future product candidate on a profitable basis. In many international markets, governments control the prices of prescription pharmaceuticals, including through the implementation of reference pricing, price cuts, rebates, revenue-related taxes and profit control, and we expect prices of prescription pharmaceuticals to decline over the life of the product or as volumes increase.

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

Technological competition is intense in the industry in which we operate. Development of new, potentially competitive therapies comes from pharmaceutical companies, biotechnology companies and universities, as well as companies that offer non-pharmaceutical solutions. Many of our competitors have substantially greater financial and technical resources; more extensive R&D capabilities; and greater marketing, distribution, production and human resources than we do. Moreover, competitors may develop products more quickly than us and may obtain regulatory approval for such products more rapidly than we do. Products and processes which are more effective than those that we intend to develop may be developed by our competitors. R&D by others may render our product candidates non-competitive or obsolete.

Our DM199 product candidate may face competition sooner than expected.

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

Even if, as we expect, our DM199 product candidate is considered to be a reference product eligible for 12 years of exclusivity under the BPCIA, another company could market competing products if the FDA approves a full BLA for such product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of the products. Moreover, an amendment or repeal of the BPCIA could result in a shorter exclusivity period for our DM199 product candidate, which could have a material adverse effect on our business.

Risks Related to Intellectual Property

If we are unable to adequately protect our technology and enforce our intellectual property rights, our competitors may take advantage of our development efforts or acquired technology and compromise our prospects of marketing and selling DM199 or any future product candidate.

We believe that patents and other proprietary rights are key to our business. Our policy is to file patent applications to protect technology, inventions and improvements that may be important to the development of DM199 or any future product candidate. We also rely upon trade secrets, know-how and continuing technological innovations to develop and maintain our competitive position. We plan to enforce our issued patents and our rights to proprietary information and technology. We review third-party patents and patent applications, both to refine our own patent strategy and to monitor the landscape related to our technology.

Our success depends, in part, on our ability to secure and protect our intellectual property rights and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights owned or licensed by us. We have a number of patents, patent applications and rights to patents related to our compounds, product candidates and technology, but we cannot be certain that they will be enforceable or provide adequate protection or that pending patent applications will result in issued patents.

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

The patent positions of pharmaceutical and biotechnology firms, ourselves included, are uncertain and involve complex questions of law and fact for which important legal issues remain unresolved. Therefore, it is not clear whether our pending patent applications will result in the issuance of patents or whether we will develop additional proprietary products which are patentable. Part of our strategy is based on our ability to secure a patent position to protect our technology. There is no assurance that we will be successful in this approach and failure to secure patent protection may have a material adverse effect upon us and our financial condition. Also, we may fail in our attempt to commercialize products using currently patented or licensed technology without having to license additional patents. Moreover, it is not clear whether the patents issued or to be issued will provide us with any competitive advantages or if any such patents will be the target of challenges by third parties, whether the patents of others will interfere with our ability to market our products, or whether third parties will circumvent our patents by means of alternate processes. Furthermore, it is possible for others to develop products that have the same effect as our product candidates or technologies on an independent basis or to design around technologies patented by us. Patent applications relating to or affecting our business may have been filed by pharmaceutical or biotechnology companies or academic institutions. Such applications may conflict with our technologies or patent applications and such conflict could reduce the scope of patent protection that we could otherwise obtain or even lead to the rejection of our patent applications. There is no assurance that we can enter into licensing arrangements on commercially reasonable terms or develop or obtain alternative technology in respect of patents issued to third parties that incidentally cover our products or production technologies. Any inability to secure licenses or alternative technology could result in delays in the introduction of some of our product candidates or even lead to us being prevented from pursuing the development, manufacture or sale of certain products. Moreover, we could potentially incur substantial legal costs in defending legal actions that allege patent infringement, or by initiating patent infringement suits against others. It is not possible for us to be certain that we are the creator of inventions covered by pending patent applications or that we were the first to invent or file patent applications for any such inventions. While we have used commercially reasonable efforts to obtain assignments of intellectual property from all individuals who may have created materials on our behalf (including with respect to inventions covered by our patent and pending patent applications), it is not possible for us to be certain that we have obtained all necessary rights to such materials. No assurance can be given that our patents, if issued, would be upheld by a court, or that a competitor's technology or product would be found to infringe on our patents. Moreover, much of our technology know-how that is not patentable may constitute trade secrets. Therefore, we require our employees, consultants, advisors and collaborators to enter into confidentiality agreements either as stand-alone agreements or as part of their employment or consulting contracts. However, no assurance can be given that such agreements will provide meaningful protection of our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of confidential information. Also, while we have used commercially reasonable efforts to obtain executed copies of such agreements from all employees, consultants, advisors and collaborators, no assurance can be given that executed copies of all such agreements have been obtained.

We or a future partner may require additional third-party licenses to effectively develop, manufacture and commercialize DM199 or any future product candidate and are currently unable to predict the availability or cost of such licenses.

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

Changes in patent law and its interpretation could diminish the value of patents in general, thereby impairing our ability to protect DM199 or any future product candidate.

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

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

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

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

Litigation regarding patents, patent applications, and other proprietary rights is generally expensive, time consuming and may cause delays in the development, manufacturing and commercialization of DM199 or any future product candidate.

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

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

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

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

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

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

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

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

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

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

Because we rely on third parties to develop our DM199 product candidate, we must share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, employment or consulting agreements or other similar agreements with our collaborators, advisors, employees, and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of our collaborators, advisors, employees, and consultants to publish data potentially relating to our trade secrets. In the future, we may also conduct joint R&D programs which may require us to share trade secrets under the terms of R&D collaboration or similar agreements. We cannot be certain that our current or any future agreements have been or will be entered into with all relevant parties. Moreover, despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development or publication of information including our trade secrets in cases where we do not have proprietary or otherwise protected rights at the time of publication. Trade secrets can be difficult to protect. If the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating any trade secrets. A competitor's discovery of our trade secrets may impair our competitive position and could have a material adverse effect on our business and financial condition.

Patent terms may be inadequate to protect the competitive position of DM199 or any future product candidate for an adequate amount of time.

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

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

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

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

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

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

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

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

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred substantial losses since our inception and expect to continue to incur substantial losses for at least three or four years and may never become profitable.

We are a clinical stage biopharmaceutical company focused on the development of our DM199 product candidate. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a product candidate will fail to prove effective, gain regulatory approval or become commercially viable. We do not have any products approved by regulatory authorities and have not generated any revenues from product sales to date, and do not expect to generate any revenue from the sale of products for at least three or four years. We have incurred significant R&D and other expenses related to our ongoing operations and expect to continue to incur such expenses. As a result, we have not been profitable and have incurred significant operating losses in every reporting period since our inception. For the years ended December 31, 2021 and 2020, we incurred a net loss of $13.6 million and $12.3 million, respectively. As of December 31, 2021, we had an accumulated deficit of $82.5 million. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our shareholders' equity and working capital. We expect to continue to incur substantial operating losses as we continue our R&D activities, planned clinical trials, regulatory activities and otherwise develop DM199 or any future product candidate to a point where it receives required regulatory approvals and may be commercially sold and we begin to recognize future product sales, or receive royalty payments, licensing fees and/or milestone payments sufficient to generate revenues to fund our continuing operations. We expect our operating losses to increase in the near term as we continue the research, development and clinical trials of, and seek regulatory approval for DM199 or any future product candidate. We are unable to predict the extent of any future losses or when we will become profitable, if ever. Our failure to become and remain profitable may depress the market price of our common shares and could impair our ability to raise capital, continue to develop DM199 or any future product candidate, expand our business and product offerings or continue our operations. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis.

Since we currently have no revenue from product sales and do not expect any revenue from product sales for at least three or four years, we will need additional funding to continue our R&D activities and other operations, which may not be available to us on acceptable terms, or at all.

We expect we will need substantial additional capital to further our R&D activities, planned clinical trials and regulatory activities and to otherwise develop our DM199 product candidate to a point where it may be commercially sold. We expect our current cash resources of $45.1 million in cash, cash equivalents and marketable securities as of December 31, 2021 to be sufficient to allow us to complete patient follow-up in our REDUX Phase 2 trial in patients with CKD, to continue our Phase 2/3 trial in patients with AIS and to otherwise fund our planned operations for at least the next twelve months from the date of issuance of the financial statements included in this report. However, the amount and timing of our future funding requirements will depend on many factors, including, among others:

- the rate of progress in the development of and the conduct of clinical trials with respect to DM199 or any future product candidates;
- the timing and results of our ongoing development efforts, including in particular our current Phase 2 and Phase 2/3 clinical trials;
- the costs of our development efforts, including the conduct of clinical trials with respect to DM199 or any future product candidates;
- the costs associated with identifying additional product candidates and the potential expansion of our current development programs or potential new development programs;
- the costs necessary to obtain regulatory approvals for DM199 or any future product candidates;

- the costs of developing and validating manufacturing processes for DM199 or any future product candidates;
- the costs associated with being a U.S. public reporting company with shares listed on The Nasdaq Capital Market;
- the costs we incur in the filing, prosecution, maintenance and defense of our intellectual property; and
- the costs related to 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.

Since our inception, we have financed our operations primarily from public and private sales of equity securities, the exercise of warrants and stock options, interest income on funds available for investment, and government grants and tax incentives, 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 and debt financings, or through strategic collaborations and license agreements. We can give no assurances that we will be able to secure additional sources of funds to support our operations, or if such funds are available to us, that such additional financing will be sufficient to meet our needs or on terms acceptable to us. This is particularly true if our clinical data is not positive or economic and market conditions deteriorate.

Although we have previously been successful in obtaining financing through our equity securities offerings, there can be no assurance that we will be able to do so in the future. To the extent we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted. Debt financing, if available, may involve agreements that include conversion discounts or covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third-party funding, marketing and distribution arrangements or other collaborations or strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. It is possible that financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the results of our clinical trials and other scientific and clinical research; our ability to obtain regulatory approvals; market acceptance of DM199 or any future product candidates; the state of the capital markets generally with particular reference to pharmaceutical, biotechnology, and medical companies, and which could be affected by various events outside our control, including without limitation geopolitical events, such as the current conflict between Russia and Ukraine; the status of strategic alliance agreements; and other relevant commercial considerations. If adequate funding is not available, we may be required to implement cost reduction strategies; delay, reduce or eliminate one or more of our product development programs; relinquish significant rights to DM199 or any future product candidates or obtain funds on less favorable terms than we would otherwise accept; and/or divest assets or cease operations through a merger, sale or liquidation of our company.

Risks Related to Human Capital Management

We rely heavily on the capabilities and experience of our key executives, clinical personnel and advisors and the loss of any of them could affect our ability to develop DM199 or any future product candidate.

We depend heavily on members of our management team and certain other key personnel, including in particular our clinical personnel. We also depend on our clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to us. In addition, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled scientific, managerial, medical, clinical and regulatory personnel, particularly as we continue to expand our activities and seek regulatory approvals for clinical trials and eventually our DM199 product candidate. We enter into agreements with scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of our business. We also enter into agreements with physicians and institutions that will recruit patients into our clinical trials on our behalf in the ordinary course of our business. Notwithstanding these arrangements, we face significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. We cannot predict our success in hiring or retaining the personnel we require for our continued growth. The loss of the services of any of our key executive officers, clinical personnel and advisors could potentially harm our business, operating results or financial condition.

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

As we advance our DM199 product candidate through preclinical testing and clinical trials, or develop any future product candidates, we will need to increase our product development, scientific, clinical, regulatory and compliance and administrative headcount to manage these programs. In furtherance of these efforts, we recently hired a new Chief Medical Officer and Chief Commercial Officer. In addition, to continue to meet our obligations as a U.S. public reporting company, we will likely need to increase our general and administrative capabilities. Our management, personnel and systems currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and various projects requires that we:

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

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

Risks Related to Our Common Shares

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

Our common shares trade on The Nasdaq Capital Market under the trading symbol “DMAC.” During 2021, the sale price of our common shares ranged from $3.00 to $10.88 per share. A number of factors could influence the volatility in the trading price of our common shares, including changes in the economy or in the financial markets, industry related developments and the impact of material events and changes in our operations, such as our clinical results, operating results and financial condition. Each of these factors could lead to increased volatility in the market price of our common shares. In addition, the market prices of the securities of our competitors may also lead to fluctuations in the trading price of our common shares.

We do not have a history of a very active trading market for our common shares.

During 2021, the daily trading volume of our common shares ranged from 25,600 shares to 4.8 million shares. Although we anticipate a more active trading market for our common shares in the future, we can give no assurance that a more active trading market will develop or be sustained. If we do not have an active trading market for our common shares, it may be difficult for you to sell our common shares at a favorable price or at all.

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

Future dilution will likely occur due to anticipated future equity issuances by us. 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. In addition, as of December 31, 2021, we had outstanding warrants to purchase 265,000 common shares, options to purchase 1,896,600 common shares, deferred stock units representing 67,659 common shares and 1,507,651 common shares reserved for future issuance in connection with future grants under the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan and the DiaMedica Therapeutics Inc. 2021 Employment Inducement Incentive Plan. If these or any future outstanding warrants, options or deferred stock units are exercised or otherwise converted into our common shares, our shareholders will experience additional dilution.

If there are substantial sales of our common shares or the perception that such sales may occur, the market price of our common shares could decline.

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

We are an "emerging growth company" and a "smaller reporting company," and because we have opted to use the reduced disclosure requirements available to us, certain investors may find investing in our common shares less attractive.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012. We may remain an emerging growth company until December 31, 2023, the last day of the fiscal year following the fifth anniversary of our first sale of common shares pursuant to a registration statement under the Securities Act of 1933, as amended, or until such earlier time as we have more than $1.07 billion in annual revenue, the market value of our common shares held by non-affiliates is more than $700 million or we issue more than $1 billion of non-convertible debt over a three-year period. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404), not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We are also a "smaller reporting company" under the federal securities laws and, as such, are subject to scaled disclosure requirements afforded to such companies. For example, as a smaller reporting company, we are subject to reduced executive compensation disclosure requirements.

Our shareholders and investors may find our common shares less attractive as a result of our status as an "emerging growth company" and "smaller reporting company" and our reliance on the reduced disclosure requirements afforded to these companies. If some of our shareholders or investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the market price of our common shares may be more volatile.

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

We have not declared or paid any cash dividends on our common shares to date. The payment of dividends in the future will be dependent on our earnings and financial condition and on such other factors as our Board of Directors considers appropriate. Unless and until we pay dividends, shareholders may not receive a return on their common shares. There is no present intention by our Board of Directors to pay dividends on our common shares. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, appreciation, if any, in the market price of our common shares will be your sole source of gain for the foreseeable future.

Risks Related to Our Jurisdiction of Organization

We are governed by the corporate laws of British Columbia, which in some cases have a different effect on shareholders than the corporate laws in effect in the United States.

We are a British Columbia corporation. Our corporate affairs and the rights of holders of our common shares are governed by British Columbia's Business Corporations Act (BCBCA) and applicable securities laws, which laws may differ from those governing a company formed under the laws of a United States jurisdiction. The provisions under the BCBCA and other relevant laws may affect the rights of shareholders differently than those of a company governed by the laws of a United States jurisdiction and may, together with our Notice of Articles and Articles, have the effect of delaying, deferring or discouraging another party from acquiring control of our company by means of a tender offer, proxy contest or otherwise, or may affect the price an acquiring party would be willing to offer in such an instance. The material differences between the BCBCA and the Delaware General Corporation Law (DGCL), by way of example, that may be of most interest to shareholders include the following:

- for material corporate transactions (such as mergers and amalgamations, other extraordinary corporate transactions or amendments to our Notice of Articles), the BCBCA, subject to the provisions of our Articles, generally requires two-thirds majority vote by shareholders; whereas, the DGCL generally only requires a majority vote of shareholders;

- under the BCBCA, a holder of 5% or more of our common shares can requisition a special meeting at which any matters that can be voted on at our annual meeting can be considered; whereas, the DGCL does not give this right;

- our Articles require two-thirds majority vote by shareholders to pass a resolution for one or more directors to be removed; whereas, the DGCL only requires the affirmative vote of a majority of the shareholders; and

- our Articles may be amended by resolution of our directors to alter our authorized share structure, including to (a) subdivide or consolidate any of our shares and (b) create additional classes or series of shares; whereas, under the DGCL, a majority vote by shareholders is generally required to amend a corporation's certificate of incorporation and a separate class vote may be required to authorize alternations to a corporation's authorized share structure.

We cannot predict if investors find our common shares less attractive because of these material differences. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

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

General Rule. For any taxable year in which 75% or more of our gross income is passive income, or at least 50% of the value of our assets (where the value of our total assets is determined based upon the market value of our common shares at the end of each quarter) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company (PFIC) for U.S. federal income tax purposes. The percentage of a corporation's assets that produce or are held for the production of passive income generally is determined based upon the average ratio of passive assets to total assets calculated at the end of each measuring period. Calculation of the value of assets at the end of each measuring period is generally made at the end of each of the four quarters that make up the company's taxable year, unless an election is made to use an alternative measuring period (such as a week or month). The "weighted average" of those periodic values is then used to determine the value of assets for the passive asset test for the taxable year. In proposed regulations section 1.1297-1(d)(2), a limited exception to the passive asset test valuation rules is provided for the treatment of working capital in order to take into account the short-term cash needs of operating companies. This new rule provides that an amount of cash held in a non-interest bearing account that is held for the present needs of an active trade or business and is no greater than the amount reasonably expected to cover 90 days of operating expenses incurred in the ordinary course of the trade or business of the foreign corporation (for example, accounts payable for ordinary operating expenses or employee compensation) is not treated as a passive asset. The Treasury Department and the IRS indicated that they continue to study the appropriate treatment of working capital for purposes of the passive asset test.

PFIC Status Determination. The tests for determining PFIC status for any taxable year are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, the market price of our common shares, and the amount and type of our gross income. Based on these tests (i) we believe that we were a PFIC for the taxable year ended December 31, 2016, and (ii) we do not believe that we were a PFIC for any of the taxable years ended thereafter through December 31, 2021. Our status as a PFIC is a fact-intensive determination made for each taxable year, and we cannot provide any assurance regarding our PFIC status for the taxable year ending December 31, 2022 or for future taxable years. U.S. shareholders who own our common shares for any period during which we are a PFIC (which we believe would currently only be those shareholders that held our common shares in the taxable year ended December 31, 2016) will be required to file IRS Form 8621 for each tax year during which they hold our common shares, unless, after we are no longer a PFIC, any such shareholder makes the "purging election" discussed below.

PFIC Consequences. If we are a PFIC for any year during a non-corporate U.S. shareholder's holding period of our common shares, and the U.S. shareholder does not make a Qualified Electing Fund election (QEF Election) or a "mark-to-market" election, both as described below, then such non-corporate U.S. shareholder generally will be required to treat any gain realized upon a disposition of our common shares, or any so-called "excess distribution" received on our common shares, as ordinary income, rather than as capital gain, and the preferential tax rate applicable to dividends received on our common shares would not be available. This income generally would be allocated over a U.S. shareholder's holding period with respect to our common shares and the amount allocated to prior years will be subject to tax at the highest tax rate in effect for that year and an interest charge would be imposed on the amount of deferred tax on the income allocated to prior taxable years. Pursuant to the specific provisions of the PFIC rules, a taxpayer may realize gain on the disposition of common shares if the securities are disposed of by a holder whose securities are attributed to the U.S. shareholder, if the securities are pledged as security for a loan, transferred by gift or death, or are subject to certain corporate distributions. Additionally, if we are a PFIC, a U.S. shareholder who acquires our common shares from a decedent would be denied normally available step-up in tax basis for our common shares to fair market value at the date of death but instead would have a tax basis equal to the lower of the fair market value of such common shares or the decedent's tax basis in such common shares. Newly proposed regulations, that are not yet effective, address domestic partnerships and S corporations that own stock in a PFIC for which a QEF election or "mark-to-market" election could be made. Currently, only the domestic partnership or S corporation (and not the partners or S corporation shareholders) can make these elections. The proposed regulations would reverse the current rule so that only the partners or S corporation shareholders — not the partnership or S corporation — could make the elections. These proposed regulations would only apply to partnership or S corporation shareholders' tax years beginning on or after the date they are issued in final form.

QEF Election. A U.S. shareholder may avoid the adverse tax consequences described above by making a timely and effective QEF election. A U.S. shareholder who makes a QEF election generally must report, on a current basis, its share of our ordinary earnings and net capital gains, whether or not we distribute any amounts to our shareholders, and would be required to comply with specified information reporting requirements. Any gain subsequently recognized upon the sale by that U.S. shareholder of the common shares generally would be taxed as capital gain and the denial of the basis step-up at death described above would not apply. The QEF election is available only if the company characterized as a PFIC provides a U.S. shareholder with certain information regarding its earnings and capital gains, as required under applicable U.S. Treasury regulations. We intend to provide all information and documentation that a U.S. shareholder making a QEF election is required to obtain for U.S. federal income tax purposes (e.g., the U.S. shareholder's pro rata share of ordinary income and net capital gain, and a "PFIC Annual Information Statement" as described in applicable U.S. Treasury regulations).

Mark-to-Market Election. As an alternative to a QEF Election, a U.S. shareholder may also mitigate the adverse tax consequences of PFIC status by timely making a "mark-to-market" election. A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the increase in the fair market value of the common shares and deduct from gross income the decrease in the value of such shares during each of its taxable years. Losses would be allowed only to the extent of the net mark-to-market gain accrued under the election. If a mark-to-market election with respect to our common shares is in effect on the date of a U.S. shareholder's death, the tax basis of the common shares in the hands of a U.S. shareholder who acquired them from a decedent will be the lesser of the decedent's tax basis or the fair market value of the common shares. A mark-to-market election may be made and maintained only if our common shares are regularly traded on a qualified exchange, including The Nasdaq Capital Market. Whether our common shares are regularly traded on a qualified exchange is an annual determination based on facts that, in part, are beyond our control. Accordingly, a U.S. shareholder might not be eligible to make a mark-to-market election to mitigate the adverse tax consequences if we are characterized as a PFIC.

Election Tax Risks. Certain economic risks are inherent in making either a QEF Election or a mark-to-market election. If a QEF Election is made, it is possible that earned income will be reported to a U.S. shareholder as taxable income and income taxes will be due and payable on such an amount. A U.S. shareholder of our common shares may pay tax on such "phantom" income, i.e., where income is reported to it pursuant to the QEF Election, but no cash is distributed with respect to such income. There is no assurance that any distribution or profitable sale will ever be made regarding our common shares, so the tax liability may result in a net economic loss. A mark-to-market election may result in significant share price gains in one year causing a significant income tax liability. This gain may be offset in another year by significant losses. If a mark-to-market election is made, this highly variable tax gain or loss may result in substantial and unpredictable changes in taxable income. The amount included in income under a mark-to-market election may be substantially greater than the amount included under a QEF election. Both the QEF and mark-to-market elections are binding on the U.S. shareholder for all subsequent years that the U.S. shareholder owns our shares unless permission to revoke the election is granted by the IRS.

Purging Election. Although we generally will continue to be treated as a PFIC as to any U.S. shareholder if we are a PFIC for any year during a U.S. shareholder's holding period, if we cease to satisfy the requirements for PFIC classification, the U.S. shareholder may avoid PFIC classification for subsequent years if the U.S. shareholder elects to make a so-called "purging election," by recognizing income based on the unrealized appreciation in the common shares through the close of the tax year in which we cease to be a PFIC. When a foreign corporation no longer qualifies as a PFIC (due to a change in facts or law), the foreign corporation nonetheless retains its PFIC status with respect to a shareholder unless and until the shareholder makes an election under Code section 1298(b)(1) and regulations section 1.1298–3 (purging election) on IRS Form 8621 attached to the shareholder's tax return (including an amended return), or requests the consent of the IRS Commissioner to make a late election under Code section 1298(b)(1) and regulations section 1.1298–3(e) (late purging election) on Form 8621-A.

RULES RELATING TO A PFIC ARE VERY COMPLEX. YOU SHOULD CONSULT YOUR TAX ADVISER CONCERNING THE RELATIVE MERITS AND THE ECONOMIC AND TAX IMPACT OF THE PFIC RULES TO YOUR INVESTMENT IN OUR COMMON SHARES AS A NON-ELECTING U.S. SHAREHOLDER, A U.S. SHAREHOLDER MAKING A QEF ELECTION, A U.S. SHAREHOLDER MAKING A MARK-TO-MARKET ELECTION, OR A U.S. SHAREHOLDER MAKING ANY AVAILABLE PURGING ELECTION.

Should we be classified as a PFIC during a U.S. shareholder's holding period for our common shares, each such U.S. shareholder should consult their own tax advisors with respect to the possibility of making these elections and the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common shares. In addition, the possibility of us being classified as a PFIC may deter certain U.S. investors from purchasing our common shares, which could have an adverse impact on the market price of our common shares and our ability to raise additional financing by selling equity securities, including our common shares.

It may be difficult for non-Canadian shareholders or investors to obtain and enforce judgments against us because of our organization as a British Columbia corporation.

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

General Risk Factors

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

From time to time, we may announce the timing of certain events we expect to occur, such as the anticipated timing of initiation or completion of or results from our clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ significantly from what has been publicly disclosed. The timing of events such as the initiation or completion of a clinical trial, filing of an application to obtain regulatory approval or an announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a CMO or contract research organization, the COVID-19 pandemic or any other event having the effect of delaying the publicly announced timeline. We undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on our business plan, financial condition or operating results, and the trading price of our common shares.

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

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

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

In the past, securities class action litigation has often been brought against a company following a decline or increase in the market price of its securities or certain significant business transactions. We may become involved in this type of litigation in the future, especially if our clinical trial results are not successful or we enter into an agreement for a significant business transaction. If we face such litigation, it could result in substantial costs and a diversion of management's attention and our resources, which could harm our business. This is particularly true in light of our limited securities litigation insurance coverage.

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

We have conducted R&D operations and/or clinical trials in the United States, Canada and Australia. In the future, we expect to conduct certain clinical trials, and plan to seek regulatory approval of DM199, or any future product candidates, outside of the United States. Accordingly, we are subject to risks related to operating in foreign countries including, among others:

- differing regulatory requirements for drug approvals;

- different standards of care in various countries that could complicate the evaluation of our product candidates;
- different reimbursement systems and different competitive drugs indicated to treat the indications for which our product candidates are or will be developed;
- different United States and foreign drug import and export rules;
- reduced protection for intellectual property rights in certain countries;
- withdrawal from, or revision to or unexpected changes in international trade policies or agreements and the imposition or increases in import and export licensing and other compliance requirements, customs duties and tariffs, import and export quotas and other trade restrictions, license obligations, and other non-tariff barriers to trade;
- the imposition of U.S. or international sanctions against a country, company, person or entity with whom we do business that would restrict or prohibit continued business with that country, company, person or entity;
- economic weakness, including inflation or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration, and labor laws for employees living or traveling abroad;
- compliance with the Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws;
- foreign taxes, including withholding of payroll taxes;
- foreign currency exchange rate fluctuations, which could result in increased operating expenses and/or reduced revenue, and other obligations incident to doing business in another country;
- difficulties in managing and staffing international operations and increases in infrastructure costs, including legal, tax, accounting, and information technology;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad, such as recent supply chain disruptions, closures and slowdowns caused by the COVID-19 pandemic;
- potential liability resulting from development work conducted by foreign partners or collaborators;
- transportation delays and interruptions;
- business interruptions resulting from natural disasters or geopolitical actions, including war, such as the current conflict between Russia and Ukraine, and terrorism or systems failure, including cybersecurity breaches; and
- compliance with evolving and expansive international data privacy laws, such as the European Union General Data Protection Regulation.

We face the risk of product liability claims, which could exceed our insurance coverage, deplete our cash resources and lead to clinical trial delays.

A risk of product liability claims, and related negative publicity, is inherent in the development of human therapeutics. We are exposed to the risk of product liability claims alleging that use of DM199 or any future product candidate caused an injury or harm. These claims can arise at any point in the development, testing, manufacture, marketing or sale of a product candidate and may be made directly by patients involved in clinical trials of our product candidate, by consumers or healthcare providers, or by individuals, organizations or companies selling our products, if and when approved. Product liability claims can be expensive to defend, even if the product or product candidate did not actually cause the alleged injury or harm, and could lead to clinical trial delays and could negatively impact existing or future collaborations.

Insurance covering product liability claims becomes increasingly expensive as a product candidate moves through the development pipeline to commercialization. To protect against potential product liability risks, we have $5.0 million product liability insurance coverage. However, there can be no assurance that such insurance coverage is or will continue to be adequate or available to us at a cost acceptable to us or at all. We may choose or find it necessary under our collaboration agreements to increase our insurance coverage in the future. We may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for damages resulting from a product liability claim could exceed the amount of our coverage, require us to pay a substantial monetary award from our own cash resources, and otherwise have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to maintain product liability insurance required by third parties, certain agreements, such as those with clinical trial sites, contract resource organizations and other supporting vendors, would be subject to termination, which could have a material adverse impact on our operations.

Some of our agreements with third parties require, and in the future will likely require, us to maintain product liability insurance in at least certain specified minimum amounts. If we cannot maintain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on our operations.

Our insurance policies are expensive and protect us only from certain business risks, which could leave us exposed to significant uninsured liabilities. Additionally, future fluctuations in insurance cost and availability could adversely affect our operating results or risk management profile.

We hold a number of insurance policies, including product liability insurance, directors' and officers' liability insurance, property insurance and workers' compensation insurance. The costs of maintaining adequate insurance coverage, most notably directors' and officers' liability insurance, have increased significantly recently and may continue to do so in the future, thereby adversely affecting our operating results. If such costs continue to increase, we may be forced to accept lower coverage levels and higher deductibles, which, in the event of a claim, could require significant, unplanned expenditures of cash, which could adversely affect our business. Future potential directors and officers could view our directors' and officers' liability insurance coverage as limited or even inadequate. Limited directors' and officers' liability insurance coverage, or the perception that our directors' and officers' liability insurance coverage is inadequate, may make it difficult to attract and retain directors and officers, and we may lose potential independent board members and management candidates to other companies that have more extensive directors' and officers' liability insurance coverage. In addition, if any of our current insurance coverages should become unavailable to us or become economically impractical, we would be required to operate our business without indemnity from commercial insurance providers.

Increasing scrutiny and evolving expectations from regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.

Companies are facing increasing scrutiny from regulators, investors, and other stakeholders related to their environmental, social and governance (ESG) practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, climate change, health and safety, supply chain management, diversity, labor conditions and human rights, both in our own operations and in our supply chain. Increased ESG-related compliance costs could result in material increases to our overall operational costs. Our ESG practices may not meet the standards of all of our stakeholders and advocacy groups may campaign for further changes. A failure, or perceived failure, to adapt to or comply with regulatory requirements or to respond to investor or stakeholder expectations and standards could negatively impact our business and reputation and have a negative impact on the trading price of our common shares.

Item 1B. Unresolved Staff Comments

This Item 1B is inapplicable to us as a smaller reporting company.

Item 2. Properties

Our principal executive offices, together with our research and development operations, are at the office of our wholly owned subsidiary, DiaMedica USA Inc., located at Two Carlson Parkway, Suite 260, Minneapolis, Minnesota, USA 55447. We lease these premises, which consist of approximately 3,800 square feet, pursuant to a lease that expires in August 2022. We believe that our facilities are adequate for our current needs and that suitable additional space will be available as and when needed on acceptable terms.

Item 3. 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 study 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,. The complaint alleged, 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 studies 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 sought to compel PRA to comply with the terms of the clinical trial study 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. 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 and on November 2, 2020, a final dismissal order was issued by the District Court judge. Due to the uncertainty inherent in appealing this ruling, we have chosen to cease action in the United States and file our claims against PRA Netherlands directly in a Dutch Court. On November 13, 2020, PRA Netherlands was served with our complaint. PRA Netherlands and PRA USA filed their initial appearances with the Dutch Court on February 24, 2021, and are due to submit their defense, bringing forward all procedural and substances defenses. We have prepared a motion to move the case to the Netherlands Commercial Court (NCC), which specializes in handling international commercial disputes and provides more flexibility to accommodate the specific needs of an individual case and PRA has agreed to move to the NCC. We are currently evaluating pre-trial options prior to filing this motion. Once filed, the NCC will assign judges to this matter, and they will evaluate the adequacy of the documentation submitted in support of our claims and PRA's response in order to determine the activities or additional information required and determine a schedule accordingly.

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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares are listed on The Nasdaq Capital Market under the trading symbol "DMAC".

Number of Record Holders

As of March 12, 2022, we had 37 holders of record of our common shares. This does not include persons whose common shares are in nominee or "street name" accounts through brokers or other nominees.

Dividend Policy

We have never declared or paid cash dividends on our common shares, and currently do not have any plans to do so in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. Additionally, we may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our Board of Directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our Board of Directors. As a result, our shareholders will likely need to sell their common shares to realize a return on their investment and may not be able to sell their shares at or above the price paid for them.

Purchases of Equity Securities by the Company

We did not purchase any common shares or other equity securities of our company during the fourth quarter ended December 31, 2021.

Recent Sales of Unregistered Equity Securities

We did not sell any unregistered equity securities of our company during the fourth quarter ended December 31, 2021.

Exchange Controls

There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of the securities of DiaMedica, other than Canadian withholding tax.

Certain Canadian Federal Income Tax Considerations for U.S. Holders

The following is, as of March 1, 2022, a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (Tax Act) generally applicable to a holder of our common shares who, for purposes of the Tax Act and at all relevant times, is neither resident in Canada nor deemed to be resident in Canada for purposes of the Tax Act and any applicable income tax treaty or convention, and who does not use or hold (and is not deemed to use or hold) common shares in the course of carrying on a business in Canada, deals at arm's length with us, is not affiliated with us, is not a "specified shareholder" of us (within the meaning of subsection 18(5) of the Tax Act) and holds our common shares as capital property (Holder). A "specified shareholder" for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Tax Act) owns or has the right to acquire or control 25% or more of the common shares determined on a votes or fair market value basis. Generally, common shares will be considered to be capital property to a Holder thereof provided that the Holder does not hold common shares in the course of carrying on a business and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder, (i) that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) that holds an interest which is a "tax shelter investment" as defined in the Tax Act; or (iv) that has elected to report its tax results in a functional currency other than Canadian currency. Special rules, which are not discussed in this summary, may apply to a Holder that is an "authorized foreign bank" within the meaning of the Tax Act, a partnership or an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

This summary is based upon the provisions of the Tax Act (including the regulations (Regulations) thereunder) in force as of March 1, 2022 and our understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (CRA) published in writing by the CRA prior to March 1, 2022. This summary takes into account all specific proposals to amend the Tax Act (and the Regulations) publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (Tax Proposals) and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ materially from those described in this summary.

This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder are made. Holders should consult their own tax advisors regarding the income tax considerations applicable to them having regard to their particular circumstances.

Dividends

Dividends paid or credited (or deemed to be paid or credited) to a Holder by us are subject to Canadian withholding tax at the rate of 25% unless reduced by the terms of an applicable tax treaty or convention. For example, under the Canada-United States Tax Convention (1980), as amended (US Treaty), the dividend withholding tax rate is generally reduced to 15% (or 5% in the case of a Holder that is a company that beneficially owns at least 10% of our voting shares) in respect of a dividend paid or credited to a Holder beneficially entitled to the dividend who is resident in the United States for purposes of the US Treaty and whose entitlement to the benefits of the US Treaty is not limited by the limitation of benefits provisions of the US Treaty. Holders are urged to consult their own tax advisors to determine their entitlement to relief under the US Treaty or any other applicable tax treaty as well as their ability to claim foreign tax credits with respect to any Canadian withholding tax, based on their particular circumstances.

Disposition of Common Shares

A Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a common share, unless the common share constitutes or is deemed to constitute "taxable Canadian property" to the Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention.

In general, provided the common shares are listed on a "designated stock exchange" (which currently includes The Nasdaq Capital Market) at the date of the disposition, the common shares will only constitute "taxable Canadian property" of a Holder if, at any time within the 60-month period preceding the disposition: (i) such Holder, persons with whom the Holder did not deal at arm's length, partnerships in which the Holder or a person with whom the Holder did not deal at arm's length holds a membership interest directly or indirectly through one or more partnerships, or any combination thereof, owned 25% or more of the issued shares of any class or series of the Company's share capital; and (ii) more than 50% of the fair market value of the common shares was derived directly or indirectly from one or any combination of (A) real or immovable property situated in Canada, (B) Canadian resource properties, (C) timber resource properties, and (D) options in respect of, or interests in, or for civil law rights in, property described in any of subparagraphs (ii)(A) to (C), whether or not the property exists. However, and despite the foregoing, in certain circumstances the common shares may be deemed to be "taxable Canadian property" under the Tax Act.

Holders whose common shares may be "taxable Canadian property" should consult their own tax advisers.

Certain U.S. Federal Income Tax Considerations

The following discussion is generally limited to certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our common shares by U.S. Holders (as defined below). This discussion applies to U.S. Holders that hold our common shares as capital assets. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of our common shares. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Although this discussion is generally limited to the U.S. federal income tax considerations to U.S. Holders, the U.S. federal income tax treatment of dividends on and gain on sale or exchange of our common shares by certain "Non-U.S. Holders" (as defined below) is included below at "U.S. Federal Income Taxation of Non-U.S. Holders."

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (IRS) has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions presented in this summary. In addition, because the guidance on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions described in this summary.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (Code), U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, and the income tax treaty between the United States and Canada (Convention), all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This summary is applicable to U.S. Holders who are residents of the United States for purposes of the Convention and who qualify for the full benefits of the Convention. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as certain financial institutions, insurance companies, broker-dealers and traders in securities or other persons that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, persons who hold common shares as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or integrated investment, persons that have a "functional currency" other than the U.S. dollar, persons that own (or are deemed to own) 10% or more (by voting power or value) of our common shares, persons that acquire their common shares as part of a compensation arrangement, corporations that accumulate earnings to avoid U.S. federal income tax, partnerships and other pass-through entities, and investors in such pass-through entities). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of common shares that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds the common shares, the U.S. federal income tax considerations relating to an investment in the common shares will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of the common shares.

Persons holding common shares should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of common shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Distributions

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder that receives a distribution with respect to the common shares generally will be required to include the gross amount of such distribution (before reduction for any Canadian withholding taxes) in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder's pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's common shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's common shares, the remainder will be taxed as capital gain. However, we cannot provide any assurance that we will maintain or provide earnings and profits determinations in accordance with U.S. federal income tax principles. Therefore, U.S. Holders should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

The U.S. dollar value of any distribution on the common shares made in Canadian dollars generally should be calculated by reference to the exchange rate between the U.S. dollar and the Canadian dollar in effect on the date of receipt (or deemed receipt) of such distribution by the U.S. Holder regardless of whether the Canadian dollars so received are in fact converted into U.S. dollars at that time. If the Canadian dollars received are converted into U.S. dollars on the date of receipt (or deemed receipt), a U.S. Holder generally should not recognize currency gain or loss on such conversion. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt (or deemed receipt), a U.S. Holder generally will have a basis in such Canadian dollars equal to the U.S. dollar value of such Canadian dollars on the date of receipt (or deemed receipt). Any gain or loss on a subsequent conversion or other disposition of such Canadian dollars by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Distributions on the common shares that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute "passive category income." Because we are not a United States corporation, such dividends will not be eligible for the "dividends received" deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations. Dividends paid by a "qualified foreign corporation" to a U.S. Holder who is an individual, trust or estate will generally be treated as "qualified dividend income" and are eligible for taxation at a reduced capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that a holding period requirement (more than 60 days of ownership, without protection from the risk of loss, during the 121-day period beginning 60 days before the ex-dividend date) and certain other requirements are met. However, if we are a PFIC for the taxable year in which the dividend is paid or the preceding taxable year (see discussion below under "Passive Foreign Investment Company Considerations"), we will not be treated as a qualified foreign corporation, and therefore the reduced capital gains tax rate described above will not apply. Each U.S. Holder is advised to consult its own tax advisors regarding the availability of the reduced tax rate on dividends.

If a U.S. Holder is subject to Canadian withholding tax on dividends paid on the holder's common shares (see discussion above under "Material Canadian Federal Income Tax Considerations—Dividends"), the U.S. Holder may be eligible, subject to a number of complex limitations, to claim a credit against its U.S. federal income tax for the Canadian withholding tax imposed on the dividends. However, if U.S. persons collectively own, directly or indirectly, 50% or more of the voting power or value of our common shares it is possible that a portion of any dividends we pay will be considered U.S. source income in proportion to our U.S. source earnings and profits, which could limit the ability of a U.S. Holder to claim a foreign tax credit for the Canadian withholding taxes imposed in respect of such a dividend, although certain elections may be available under the Code and the Convention to mitigate these effects. A U.S. Holder may claim a deduction for the Canadian withholding tax in lieu of a credit, but only for a year in which the U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. Holder is advised to consult its tax advisor regarding the availability of the foreign tax credit under its particular circumstances.

Sale, Exchange or Other Disposition of Common Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of common shares. The amount of gain recognized will equal the excess of the amount realized (i.e., the amount of cash plus the fair market value of any property received) over the U.S. Holder's adjusted tax basis in the common shares sold or exchanged. The amount of loss recognized will equal the excess of the U.S. Holder's adjusted tax basis in the common shares sold or exchanged over the amount realized. Such capital gain or loss generally will be long-term capital gain or loss if, on the date of sale, exchange or other disposition, the common shares were held by the U.S. Holder for more than one year. Net long-term capital gain derived by a non-corporate U.S. Holder with respect to capital assets is currently subject to tax at reduced rates. The deductibility of a capital loss is subject to limitations. Any gain or loss recognized from the sale, exchange or other disposition of common shares will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes, except as otherwise provided in an applicable income tax treaty and if an election is properly made under the Code.

Passive Foreign Investment Company Considerations

General Rule. In general, a corporation organized outside the United States will be treated as a PFIC in any taxable year in which either (1) at least 75% of its gross income is "passive income" or (2) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from commodities transactions and from the sale or exchange of property that gives rise to passive income. Assets that produce or are held for the production of passive income include cash, even if held as working capital or raised in a public offering, marketable securities and other assets that may produce passive income. The percentage of a corporation's assets that produce or are held for the production of passive income generally is determined based upon the average ratio of passive assets to total assets calculated at the end of each measuring period. Calculation of the value of assets at the end of each measuring period is generally made at the end of each of the four quarters that make up the company's taxable year, unless an election is made to use an alternative measuring period (such as a week or month). The "weighted average" of those periodic values is then used to determine the value of assets for the passive asset test for the taxable year. In proposed regulations section 1.1297-1(d)(2), a limited exception to the passive asset test valuation rules is provided for the treatment of working capital in order to take into account the short-term cash needs of operating companies. This working capital rule provides that an amount of cash held in a non-interest bearing account that is held for the present needs of an active trade or business and is no greater than the amount reasonably expected to cover 90 days of operating expenses incurred in the ordinary course of the trade or business of the foreign corporation (for example, accounts payable for ordinary operating expenses or employee compensation) is not treated as a passive asset. The Treasury Department and the IRS indicated that they continue to study the appropriate treatment of working capital for purposes of the passive asset test. In determining whether a foreign corporation is a PFIC, a proportionate share of the items of gross income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) are taken into account.

PFIC Status Determination. Although the tests for determining PFIC status for any taxable year are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, the market price of our common shares, and the amount and type of our gross income, based on those tests: (i) we believe that we were a PFIC for the taxable year ended December 31, 2016, and (ii) we do not believe that we were a PFIC for any of the taxable years ended thereafter through December 31, 2021. Our status as a PFIC is a fact-intensive determination made on an annual basis, and we cannot provide any assurance regarding our PFIC status for the taxable year ending December 31, 2022 or for subsequent taxable years. U.S. Holders who own our common shares for any period during which we are a PFIC will be required to file IRS Form 8621 for each tax year during which they hold our common shares. No opinion of legal counsel or ruling from the IRS concerning our status as a PFIC has been obtained or is currently planned to be requested. However, the determination of our PFIC status is made annually after the close of each taxable year and it is difficult to predict before such determination whether we will be a PFIC for any given taxable year. Even if we determine that we are not a PFIC after the close of a taxable year, there can be no assurance that the IRS will agree with our conclusion. No assurance can be provided regarding our PFIC status, and neither we nor our United States counsel expresses any opinion with respect to our PFIC status.

PFIC Consequences. If we are a PFIC at any time when a non-corporate U.S. Holder owns common shares, and such U.S. Holder does not make a "qualified electing fund" election (QEF election) or a "mark-to-market" election, both as described below, such U.S. Holder will generally be subject to federal tax under the excess distribution rules (described below). Under such rules, additional taxes and interest charges would apply to certain distributions by us or to gain upon dispositions of our common shares. If neither of such elections are made, the excess distribution rules apply to (1) distributions paid during a taxable year that are greater than 125% of the average annual distributions paid in the three preceding taxable years, or, if shorter, the U.S. Holder's holding period for the common shares, and (2) any gain recognized on a sale, exchange or other disposition (which would include a pledge or transfer by gift or death) of common shares. Under the excess distribution rules, the non-corporate U.S. Holder's tax liability will be determined by allocating such distribution or gain ratably to each day in the U.S. Holder's holding period for the common shares. The amount allocated to the current taxable year (*i.e.*, the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we were a PFIC during such holding period will be taxed as ordinary income earned in the current taxable year and the preferential tax rate applicable to capital gains or dividends received on our common shares would not be available. The amount allocated to other taxable years (*i.e.*, prior years in which we were a PFIC) will be taxed at the highest marginal rate in effect (for individuals or corporations as applicable) for ordinary income in each such taxable year, and an interest charge, generally applicable to the underpayment of tax, will be added to the tax and the preferential tax rate applicable to capital gains or dividends received on our common shares would not be available. These adverse tax consequences would not apply to a pension or profit-sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of our common shares. In addition, if a non-electing U.S. Holder who is an individual dies while owning our common shares, such U.S. Holder's successor generally would not receive a step-up in tax basis with respect to such common shares, but instead would have a tax basis equal to the lower of the fair market value of such common shares or the decedent's tax basis in such common shares. Newly proposed regulations, that are not yet effective, address domestic partnerships and S corporations that own stock in a PFIC for which a QEF election or "mark-to-market" election could be made. Currently, only the domestic partnership or S corporation (and not the partners or S corporation shareholders) can make these elections. The proposed regulations would reverse the current rule so that only the partners or S corporation shareholders — not the partnership or S corporation — could make the elections. These proposed regulations would only apply to partnership or S corporation shareholders' tax years beginning on or after the date they are issued in final form.

QEF Election. The tax considerations that would apply if we were a PFIC would be different from those described above if a U.S. Holder were able to make a valid QEF election. For each year that we meet the PFIC gross income test or asset test, an electing U.S. Holder would be required to include in gross income its pro rata share of our ordinary income and net capital gains, if any, as determined under U.S. federal income tax principles. The U.S. Holder's adjusted tax basis in our common shares would be increased by the amount of such inclusions. An actual distribution to the U.S. Holder out of such income generally would not be treated as a dividend and would decrease the U.S. Holder's adjusted tax basis in our common shares. Gain realized from the sale of our common shares covered by a QEF election would be taxed as a capital gain and the denial of the basis step-up at death described above would not apply. Generally, a QEF election must be made by the U.S. Holder in a timely filed tax return for the first taxable year in which the U.S. Holder held our common shares that includes the close of our taxable year for which we met the PFIC gross income test or asset test. A separate QEF election would need to be made for any of our subsidiaries that are classified as a PFIC. A QEF election is made on IRS Form 8621. U.S. Holders will be eligible to make QEF elections only if we agree to provide U.S. Holders with the information they will need to comply with the QEF rules. In the event we become a PFIC, we intend to provide all information and documentation that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes (*e.g.,* the U.S. Holder's pro rata share of ordinary income and net capital gain, and a "PFIC Annual Information Statement" as described in applicable U.S. Treasury regulations).

Mark-to-Market Election. As an alternative to a QEF election, a U.S. Holder may also mitigate the adverse tax consequences of PFIC status by timely making a "mark-to-market" election, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. A U.S. Holder who makes the mark-to-market election generally must include as ordinary income each year the increase in the fair market value of the common shares and deduct from gross income the decrease in the value of such shares during each of its taxable years, but with losses limited to the amount of previously recognized net gains. The U.S. Holder's tax basis in the common shares would be adjusted to reflect any income or loss recognized as a result of the mark-to-market election. If a mark-to-market election with respect to our common shares is in effect on the date of a U.S. Holder's death, the tax basis of the common shares in the hands of a U.S. Holder who acquired them from a decedent will be the lesser of the decedent's tax basis or the fair market value of the common shares. Any gain from a sale, exchange or other disposition of the common shares in any taxable year in which we are a PFIC (*i.e.*, when we meet the gross income test or asset test described above) would be treated as ordinary income and any loss from a sale, exchange or other disposition would be treated first as an ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as a capital loss. If we cease to be a PFIC, any gain or loss recognized by a U.S. Holder on the sale or exchange of the common shares would be classified as a capital gain or loss.

A mark-to-market election is available to a U.S. Holder only for "marketable stock." Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. The common shares should be marketable stock as long as they are listed on The Nasdaq Capital Market and are regularly traded. A mark-to-market election will not apply to the common shares for any taxable year during which we are not a PFIC but will remain in effect with respect to any subsequent taxable year in which we again become a PFIC. Such election will not apply to any subsidiary that we own. Accordingly, a U.S. Holder may continue to be subject to the PFIC rules with respect to any lower-tier PFICs notwithstanding the U.S. Holder's mark-to-market election. Whether our common shares are regularly traded on a qualified exchange is an annual determination based on facts that, in part, are beyond our control. Accordingly, a U.S. Holder might not be eligible to make a mark-to-market election to mitigate the adverse tax consequences if we are characterized as a PFIC.

Election Tax Risks. Certain economic risks are inherent in making either a QEF Election or a mark-to-market election. If a QEF Election is made, it is possible that earned income will be reported to a U.S. shareholder as taxable income and income taxes will be due and payable on such an amount. A U.S. shareholder of our common shares may pay tax on such "phantom" income, i.e., where income is reported to it pursuant to the QEF Election, but no cash is distributed with respect to such income. There is no assurance that any distribution or profitable sale will ever be made regarding our common shares, so the tax liability may result in a net economic loss. A mark-to-market election may result in significant share price gains in one year causing a significant income tax liability. This gain may be offset in another year by significant losses. If a mark-to-market election is made, this highly variable tax gain or loss may result in substantial and unpredictable changes in taxable income. The amount included in income under a mark-to-market election may be substantially greater than the amount included under a QEF election. Both the QEF and mark-to-market elections are binding on the U.S. shareholder for all subsequent years that the U.S. shareholder owns our shares unless permission to revoke the election is granted by the IRS.

Purging Election. If we are a PFIC at any time when a U.S. Holder holds our common shares, we will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds our common shares even if we cease to meet the PFIC gross income test or asset test in a subsequent year. However, if we cease to meet these tests, a U.S. Holder can avoid the continuing impact of the PFIC rules by making a special election (a Purging Election) to recognize gain by making a "deemed sale" election with respect to all of the U.S. Holder's common shares and have such common shares deemed to be sold at their fair market value on the last day of the last taxable year during which we were a PFIC. The shareholder makes a purging election under Code section 1298(b)(1) and regulations section 1.1298–3 on IRS Form 8621 attached to the shareholder's tax return (including an amended return), or requests the consent of the IRS Commissioner to make a late election under Code section 1298(b)(1) and regulations section 1.1298–3(e) (late purging election) on Form 8621-A. In addition, for a U.S. Holder making such an election, a new holding period would be deemed to begin for our common shares for purposes of the PFIC rules. After the Purging Election, the common shares with respect to which the Purging Election was made will not be treated as shares in a PFIC unless we subsequently again become a PFIC.

Each U.S. person who is a shareholder of a PFIC generally must file an annual report (on IRS Form 8621) with the IRS containing certain information, and the failure to file such report could result in the imposition of penalties on such U.S. person and in the extension of the statute of limitations with respect to federal income tax returns filed by such U.S. person. Should we be classified as a PFIC during a U.S. Holder's holding period for our common shares, each such U.S. Holder should consult their own tax advisors with respect to the possibility of making these elections and the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common shares. In addition, the possibility of us being classified as a PFIC may deter certain U.S. investors from purchasing our common shares, which could have an adverse impact on the market price of our common shares and our ability to raise additional financing by selling equity securities, including our common shares.

The U.S. federal income tax rules relating to PFICs are very complex. U.S. Holders are urged to consult their own tax advisors with respect to the purchase, ownership and disposition of common shares, the consequences to them of an investment in a PFIC, any elections available with respect to the common shares and the IRS information reporting obligations with respect to the purchase, ownership and disposition of common shares in the event we are considered a PFIC.

Additional Tax on Passive Income

Certain U.S. Holders that are individuals, estates or trusts (other than trusts that are exempt from tax) with adjusted income exceeding certain thresholds, will be subject to a 3.8% tax on all or a portion of their "net investment income," which includes dividends on the common shares, and net gains from the disposition of the common shares. Further, excess distributions treated as dividends, gains treated as excess distributions, and mark-to-market inclusions and deductions are all included in the calculation of net investment income.

Treasury regulations provide, subject to the election described in the following paragraph, that solely for purposes of this additional tax, that distributions of previously taxed income will be treated as dividends and included in net investment income subject to the additional 3.8% tax. Additionally, to determine the amount of any capital gain from the sale or other taxable disposition of common shares that will be subject to the additional tax on net investment income, a U.S. Holder who has made a QEF election will be required to recalculate its basis in the common shares excluding any QEF election basis adjustments.

Alternatively, a U.S. Holder may make an election which will be effective with respect to all interests in controlled foreign corporations and PFICs that are subject to a QEF election and that are held in that year or acquired in future years. Under this election, a U.S. Holder pays the additional 3.8% tax on QEF election income inclusions and on gains calculated after giving effect to related tax basis adjustments. U.S. Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the common shares.

U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common shares, other than a partnership or entity treated as a partnership for U.S. Federal income tax purposes, that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder". Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of certain U.S. income tax treaties with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of certain income tax treaties with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common shares, including dividends and the gain from the sale, exchange or other disposition of the stock, that is effectively connected with the conduct of that trade or business will generally be subject to regular U.S. federal income tax in the same manner as discussed above relating to the general taxation of U.S. Holders. In addition, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

Information Reporting with Respect to Foreign Financial Assets

U.S. individuals that own "specified foreign financial assets" (as defined in Section 6038D of the Code) with an aggregate fair market value exceeding certain threshold amounts generally are required to file an information report on IRS Form 8938 with respect to such assets with their tax returns. Significant penalties may apply to persons who fail to comply with these rules. Specified foreign financial assets include not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by certain financial institutions, any stock or security issued by a non-U.S. person, such as our common shares. Upon the issuance of future U.S. Treasury regulations, these information reporting requirements may apply to certain U.S. entities that own specified foreign financial assets. The failure to report information required under the current regulations could result in substantial penalties and in the extension of the statute of limitations with respect to federal income tax returns filed by a U.S. Holder. U.S. Holders should consult their own tax advisors regarding the possible implications of these U.S. Treasury regulations for an investment in our common shares.

Special Reporting Requirements for Transfers to Foreign Corporations

A U.S. Holder that acquires common shares generally will be required to file IRS Form 926 with the IRS if (1) immediately after the acquisition such U.S. Holder, directly or indirectly, owns at least 10% of our common shares, or (2) the amount of cash transferred in exchange for common shares during the 12-month period ending on the date of the acquisition exceeds USD $100,000. Significant penalties may apply for failing to satisfy these filing requirements. U.S. Holders are urged to contact their tax advisors regarding these filing requirements.

Information Reporting and Backup Withholding

Dividends on and proceeds from the sale or other disposition of common shares may be reported to the IRS unless the U.S. Holder establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if (1) the U.S. holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption, (2) the U.S. Holder is notified by the IRS that backup withholding applies, or (3) the payment is described in certain other categories of persons.

If you sell your common shares through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common shares through a non-U.S. office of a broker that is a U.S. person or has certain other contacts with the United States, unless you certify that you are a non-U.S. person, under penalty of perjury, or you otherwise establish an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A U.S. HOLDER. EACH U.S. HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN COMMON SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

Item 6. [Reserved]

Item 7. 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 subsidiaries for the years ended December 31, 2021 and 2020.

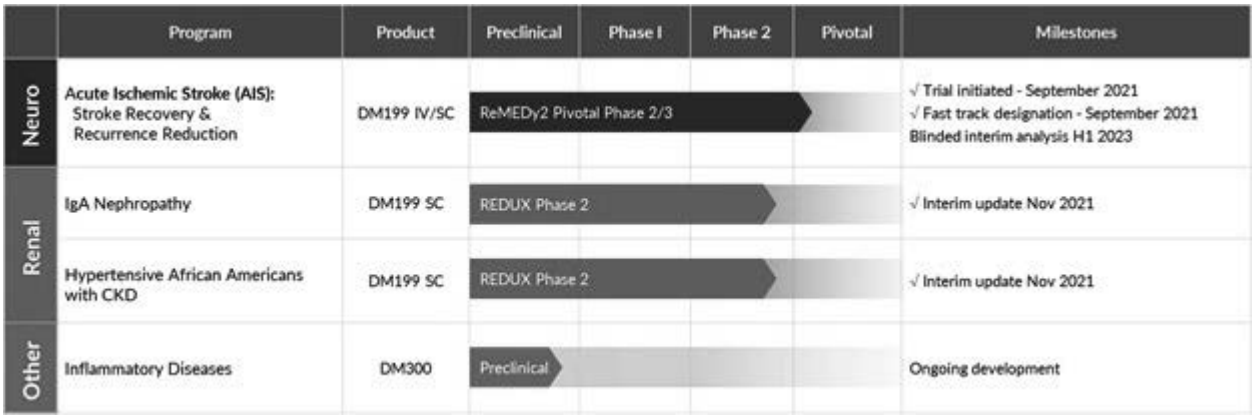
This discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from the 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 committed to improving the lives of people suffering from serious diseases. DiaMedica's lead candidate DM199 is the first pharmaceutically active recombinant (synthetic) form of the human tissue kallikrein-1 (KLK1) protein to be studied in patients, an established therapeutic modality for the treatment of acute ischemic stroke and chronic kidney disease. Our goal is to use our patented and in-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 acute ischemic stroke (AIS) and chronic kidney disease (CKD). We plan to advance DM199, our lead drug candidate, through required clinical trials to create shareholder value by establishing its clinical and commercial potential as a therapy for AIS and CKD.

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 vascular resistance) in the body, as well as an important role in inflammation and oxidative stress (an imbalance between potentially damaging reactive oxygen species, or free radicals, and antioxidants in your body). We believe DM199 has the potential to treat a variety of diseases where healthy functioning requires sufficient activity of KLK1 and its system, the kallikrein-kinin system (KKS).

Our product development pipeline is as follows:



Current Clinical Trials

AIS Phase 2/3 ReMEDy2 Trial

Our ReMEDy2 trial is an adaptive design, randomized, double-blind, placebo-controlled trial intended to enroll approximately 350 patients at 75 sites in the United States. Patients enrolled in the trial will be treated with either DM199 or placebo within 24 hours of the onset of AIS symptoms. The trial excludes patients treated with tissue plasminogen activator (tPA) and those with large vessel occlusions. The study population is representative of the approximately 80% of AIS patients who do not have treatment options today, primarily due to the limitations on treatment with tPA or mechanical thrombectomy. DiaMedica believes that the proposed trial has the potential to serve as a pivotal registration study of DM199 in this patient population.

In April 2021, we submitted an Investigational New Drug (IND) application to the FDA for the trial, which was accepted in May 2021. In September 2021, the FDA granted Fast Track Designation to the Company's lead candidate DM199 for the treatment of AIS where tPA and/or mechanical thrombectomy are not indicated or medically appropriate.

We initiated the first site for the Phase 2/3 trial in September and successfully dosed the first patient in November 2021. Additionally, in November 2021, the FDA accepted and concluded that DiaMedica "may proceed" with the proposed clinical investigation using our amended protocol adding stroke recurrence as a second independent primary endpoint to our Phase 2/3 ReMEDy2 trial. The FDA's acceptance of the amendment allows the Company to evaluate the effects of DM199 on both physical recoveries post AIS and the rate of recurrent AIS, as two separate, independent, primary endpoints, with each statistically powered for success. There were no changes in treatment, duration, or study population of the trial as part of this protocol amendment.

Dosing the first patient in the ReMEDy2 trial triggered a $185,000 milestone payment due to Catalent Pharma Solutions, LLC (Catalent) which was remitted during the fourth quarter of 2021. See Note 10 titled "Commitments and Contingencies" included elsewhere in this report.

As a result of the COVID-19 pandemic and the resurgence in cases caused by the Delta, Omicron and other variants, some clinical trials are experiencing delays and stoppages in site activations and enrollment due to staffing and other resource shortages. We have experienced slower than expected site activations and enrollment in our ReMEDy2 trial due to the reduction or suspension of activities and staffing shortages at our and/or potential clinical study sites. We anticipate that the continuing development of variants of COVID-19, will likely continue to adversely affect our ability to initiate new clinical trial sites and recruit or enroll patients into our ReMEDy2 trial, and we cannot provide any assurance as to when these issues will resolve.

CKD Phase 2 REDUX Clinical Trial

As of December 31, 2021, we completed enrollment in our Phase 2 clinical trial for the treatment of CKD with a total of 79 subjects enrolled, including 21 African American subjects into Cohort 1, 25 subjects with IgAN into Cohort 2 and 33 subjects with Type 2 diabetes in Cohort 3.

The trial named REDUX, Latin for restore, is a multi-center, open-label investigation which targeted enrollment of patients with mild or moderate CKD (Stage II or III) and albuminuria, enrolled in three equal cohorts. The trial was conducted in the United States and was focused on participants with CKD: Cohort 1 was focused on non-diabetic, hypertensive African Americans (AA) 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. Cohort 2 was focused on participants with IgA Nephropathy. Cohort 3 was focused on participants with Type 2 diabetes mellitus with CKD, hypertension and albuminuria (DKD). The trial evaluated two dose levels of DM199 within each cohort. Study participants received DM199 by subcutaneous injection twice weekly for 95 days. The primary study endpoints include safety, tolerability, blood pressure, albuminuria and kidney function, which were evaluated by changes from baseline in estimated glomerular filtration rate and albuminuria, as measured by the urinary albumin to creatinine ratio. Participant enrollment and dosing for this trial commenced in December 2019 and in June 2021, we announced interim results and in November, we announced additional results.

REDUX is a multi-center, open-label investigation of with interim results indicating that DM199 is demonstrating clinically meaningful improvements in kidney function in Cohorts 1 and 2, as measured by simultaneously stabilizing estimated glomerular filtration rate (eGFR) and decreasing urine albumin-to-creatinine ratio (UACR). Additionally, in patients who were hypertensive (Cohorts 1 and 3), DM199 also reduced blood pressure by clinically significant levels and importantly, there was no effect on participants who were not hypertensive (Cohort 2). We reported the following preliminary data:

- AA: Geometric mean decrease in UACR of -55% in moderate to severe albuminuria (baseline UACR >500 µg/mg) (n=3), Stable eGFR from baseline (n=12) and a mean decrease in systolic/diastolic blood pressure -19/-13 mmHg (n=8) at the 2 µg/kg dose level;

- IgAN: UACR geometric mean decrease of -34% (p=0.002) (baseline UACR>500 µg/mg) (n=11), eGFR and blood pressure were stable (n=16) and mean decreases in the biomarkers April and IgA1 of 35% and 22% overall, respectively; and

- DKD: No overall treatment effect was observed for UACR, however, reductions in systolic and diastolic blood pressure (n=28) were observed.

DM199 was generally safe and well tolerated across all cohorts. Adverse events (AEs) were generally mild to moderate in severity, with the most common being local injection site irritation that resolved without medical intervention.

DM300

We have identified a potential novel new treatment for inflammatory diseases, DM300, currently in the pre-clinical stage of development.

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 and tax credits. We have incurred losses in each year since our inception. Our net losses were $13.6 million and $12.3 million for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, we had an accumulated deficit of $82.5 million. Substantially all of our operating losses resulted from expenses incurred in connection with our product candidate development programs, our primary R&D activities, and general and administrative (G&A) support costs associated with our operations.

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

- continue site activation and enrollment of subjects in our pivotal ReMEDy2 Phase 2/3 trial of DM199 for AIS;
- complete patient follow-up in our REDUX Phase 2 trial of DM199 for CKD;
- expand our team to provide support for our operations; and
- maintain, expand and protect our intellectual property portfolio.

While we expect our rate of future negative cash flow per month will vary due to the timing of site activation and patient enrollment expenses, we expect our current cash resources will be sufficient to allow us to continue our ReMEDy2 Phase 2/3 trial in patients with AIS, complete patient follow-up in our REDUX Phase 2 trial in patients with CKD, and otherwise fund our planned operations for at least the next twelve months from the date of issuance of the consolidated financial statements included in this report. 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 site activations and enrollment in our clinical studies, 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.

Components of Our Results of Operations

Research and Development Expenses

R&D expenses consist primarily of fees paid to external service providers such as contract research organizations (CROs); contractual obligations for clinical development including clinical site costs, outside nursing services, laboratory testing, preclinical trials; development of manufacturing processes; costs for production runs of DM199; salaries, benefits and share-based compensation and other personnel costs. Over the past approximately ten years, our R&D efforts have been primarily focused on developing DM199. 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. The process of conducting clinical studies 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 studies, 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. G&A expenses also include insurance, including directors and officers liability coverage, rent and utilities, travel expenses, patent costs, professional fees, including for auditing, tax and legal services and milestone payments under our technology license agreement with Catalent.

Other Income, Net

Other (income) expense consists primarily of interest income and foreign currency exchange gains and losses. In past years, governmental assistance – research incentives, which were associated with the ReMEDy1 Phase 2 stroke trial, were a significant component of this line item.

Critical Accounting Policies and Estimates

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

While our significant accounting policies are more fully described in Note 3 to our consolidated financial statements included elsewhere in this report, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Research and Development Costs

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

We charge R&D costs, including clinical trial costs, to expense when incurred. Our human clinical trials are performed at clinical trial sites and are generally administered by us with assistance from CROs, and include outside service providers such as outside nursing services, testing laboratories and data coordination and collection. Costs of setting up clinical trial sites are accrued upon execution of the trial agreement. Expenses related to the performance of clinical trials are accrued based on contracted amounts and the achievement of agreed upon milestones, such as patient enrollment, patient follow-up, etc. We monitor levels of performance under each significant contract, including the extent of patient enrollment and other activities through communications with the clinical trial sites, CROs and supporting vendors and adjust the estimates, if required, on a quarterly basis so that clinical expenses reflect the actual work performed at each clinical trial site and by each CRO or supporting vendor.

Clinical Trial Costs

Our clinical trials are performed at clinical trial sites and are administered by us with assistance from CROs or outside contractors as necessary. Clinical trial costs are recorded or accrued based on actual invoices received and estimates of work completed to date by CROs, outside contractors and clinical trial sites that manage and perform the trials. We obtain initial estimates of accrued costs based on the trial protocol and actual enrollment of subjects, trial duration, project and data management costs, patient treatment costs and other activities as required by the trial protocol. Additionally, non-patient related costs may be charged to us and are recognized as the tasks are completed by the clinical trial site. Accrued clinical trial costs may be subject to revisions as clinical trials progress and any revisions are recorded in the period in which the facts that give rise to the revisions become known.

Share-based Compensation

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

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

The assumptions used in calculating the fair value under the Black-Scholes option valuation model are set forth in the following table for options issued by us for the years ended December 31, 2021 and 2020:

	2021	2020
Common share fair value	$3.64 – $10.04	$4.08 – $6.91
Risk-free interest rate	0.5 – 1.3%	0.3 – 1.3%
Expected dividend yield	0%	0%
Expected option life (in years)	5.0 – 5.5	5.0 – 5.2
Expected stock price volatility	94.7 – 106.1%	94.4 – 102.2%

Results of Operations

Comparison of the Years Ended December 31, 2021 and 2020

The following table summarizes our results of operations for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	2020
Research and development expense	$ 8,765	$ 8,205
General and administrative expense	4,881	4,494
Other income, net	(82)	(434)

Research and Development Expenses

R&D expenses increased slightly to $8.8 million for the year ended December 31, 2021, up from $8.2 million in the prior year. This increase was primarily due to a combination of costs incurred for our pivotal Phase 2/3 ReMEDy2 trial and increased personnel costs associated with adding staff to support R&D operations. This increase was partially offset by decreased costs incurred for our earlier ReMEDy1 Phase 2 trial, which completed during 2020, and decreased costs for our REDUX trial, as the number of enrollments in the REDUX trial declined throughout 2021 as the study neared completion. We expect that our R&D expenses will increase in the future as compared to prior periods as sites are activated and enrollment increases in the ReMEDy2 trial and as we incur costs to support the conduct of the ReMEDy2 trial.

General and Administrative Expenses

G&A expenses were $4.9 million and $4.5 million for the years ended December 31, 2021 and 2020, respectively. This increase was due to a number of factors including increased costs associated with professional services, the payment to Catalent of a milestone obligation under our technology license agreement with Catalent, increased directors and officers liability insurance costs and increased personnel costs to support our expanding clinical programs. These increases were partially offset by reduced non-cash, share based compensation costs. We did not incur significant additional G&A expenses during the year ended December 31, 2021 related to the COVID-19 pandemic, nor do we expect to incur significant additional G&A expenses related to the COVID-19 pandemic going forward. We expect our G&A expenses will continue to increase in the future as compared to prior periods as we expand our development and operating activities.

Other Income, Net

Other income, net, was $0.1 million for the year ended December 31, 2021 compared to $0.4 million for 2020. This decrease was driven primarily by cessation of R&D incentive receivables from the Australian Government, paid for qualifying research work performed by our Australian subsidiary as the ReMEDy1 trial completed in 2020 and no costs were incurred for the ReMEDy1 trial during 2021. In addition, decreased interest income recognized during 2021 as compared to 2020 related to lower interest rates also contributed to the decrease.

Liquidity and Capital Resources

The following tables summarize our liquidity and capital resources as of December 31, 2021 and 2020 and cash flows for each of the years ended December 31, 2021 and 2020, and are intended to supplement the more detailed discussion that follows (in thousands):

Liquidity and Capital Resources	**December 31, 2021**	**December 31, 2020**
Cash, cash equivalents and marketable securities	$ 45,112	$ 27,507
Total assets	45,551	28,095
Total current liabilities	1,524	2,028
Total shareholders' equity	44,024	26,014
Working capital	43,915	25,893

	Year Ended December 31,	
Cash Flow Data	**2021**	**2020**
Cash flow provided by (used in):		
Operating activities	$ (12,252)	$ (9,185)
Investing activities	(20,537)	(16,134)
Financing activities	30,087	28,845
Net increase (decrease) in cash	$ (2,702)	$ 3,526

Liquidity and Capital Resources

We had cash, cash equivalents and marketable securities of $45.1 million, current liabilities of $1.5 million and working capital of $43.9 million as of December 31, 2021, compared to $27.5 million in cash, cash equivalents and marketable securities, $2.0 million in current liabilities and $25.9 million in working capital as of December 31, 2020. The increases in our combined cash, cash equivalents and marketable securities and in our working capital were due to net proceeds from our September 2021 private placement, partially offset by cash used in operating activities during 2021.

On September 26, 2021, we issued and sold in a private placement an aggregate of 7,653,060 common shares at a purchase price of $3.92 per share to ten accredited investors, resulting in gross proceeds of $30.0 million and net proceeds to us of $29.8 million, after deducting offering expenses.

Cash Flows

Operating Activities

Net cash used in operating activities for the year ended December 31, 2021 was $12.3 million compared to $9.2 million for the year ended December 31, 2020. This increase relates primarily to the combination of the increase in the net loss and the effects of changes in operating assets and liabilities during 2021.

Investing Activities

Investing activities consist primarily of the net purchases of marketable securities. Net cash used in investing activities was $20.5 million for the year ended December 31, 2021 compared to $16.1 million for the year ended December 31, 2020. This increase was primarily due to the investment of the net proceeds received in the September 2021 private placement in short-term marketable securities, partially offset by an increase in the maturities of marketable securities during 2021.

Financing Activities

Financing activities consist primarily of net proceeds from the sale of our common shares. Net cash provided by financing activities increased slightly to $30.1 million for the year ended December 31, 2021, up from $28.8 million for the year ended December 31, 2020. This increase was due to greater net proceeds received from our September 2021 private placement as compared to the net proceeds received from our February 2020 and August 2020 public offerings, which involved customary underwriting fees and discounts.

Capital Requirements

Since our inception, we have incurred losses while advancing the R&D of our DM199 product candidate. We have not generated any revenues from product sales and do not expect to do so for at least three to five years. We do not know when or if, we will generate any revenues from product sales of our DM199 product candidate or any future product candidate. We do not expect to generate any revenue from product sales unless and until we obtain regulatory approval. We expect to 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 increase in the near term as compared to prior periods as we continue the research, development and clinical studies of, and seek regulatory approval for, our DM199 product candidate. In the long-term, subject to obtaining regulatory approval of our DM199 product candidate or any future product candidate, and in the absence of the assistance of a strategic partner, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution.

Accordingly, and notwithstanding the receipt of $29.8 million in net proceeds from our September 2021 private placement, we expect we will need substantial additional capital to further our R&D activities, planned clinical studies, regulatory activities and otherwise develop our product candidate, DM199, or any future product candidates, to a point where they may be commercially sold. Although we are striving to achieve these plans, there is no assurance these and other strategies will be achieved or that additional funding will be obtained on favorable terms or at all. While we expect our rate of future negative cash flow per month will vary due to our clinical activities and the timing of expenses incurred, we expect our current cash, cash equivalents and marketable securities resources will be sufficient to allow us to continue our ReMEDy2 Phase 2/3 trial in patients with AIS, complete patient follow-up in our REDUX Phase 2 trial in patients with CKD, and otherwise fund our planned operations for at least the next twelve months from the date of issuance of the consolidated financial statements included in this report. 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 the initiation of new sites and enrollment in our clinical studies, the potential expansion of current development programs, potential new development programs, the effects of the COVID-19 pandemic on our clinical programs and operations, 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, especially 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, implementing cost reduction strategies, such as reducing use of outside professional service providers, reducing the number of our employees or employee compensation, modifying or delaying the development of our DM199 product candidate; licensing to third parties the rights to commercialize our DM199 product candidate for AIS, CKD or other indications that we would otherwise seek to pursue, or otherwise relinquishing significant rights to our technologies, future revenue streams, research programs or product candidates or granting licenses on terms that may not be favorable to us; and/or divesting assets or ceasing operations through a merger, sale, or liquidation of our company.

Commitments and Contingencies

In the normal course of business, we incur obligations to make future payments as we execute our business plan. These obligations may relate to preclinical or clinical studies, manufacturing or manufacturing process development and other related activities. Currently, these obligations include costs to be incurred with contract research organizations, central laboratory and pharmacy services, clinical study sites, home nursing services and various other vendors supporting the performance of our clinical trials. The contracts we enter into with these vendors and the commitments within these contracts are subject to significant variability based upon the actual activities/services performed by each vendor. As a result, the ultimate amounts due may be materially different as these obligations are affected by, among other factors, the number and pace of patients enrolled, the number of clinical study sites enrolling subjects, the amount of time to complete trial enrollments and the time required to finalize, analyze and report of trial results. Clinical research agreements are generally cancelable upon up to 60 days' notice, with the Company's obligation limited to costs incurred up to that date, including any non-cancelable costs. Cancelation terms for product manufacturing and process development contracts vary and are generally dependent upon timelines for sourcing research materials and reserving laboratory time. As of December 31, 2021, the Company estimates that its outstanding commitments, including such cancellable contracts, are approximately $6.0 million over the next 12 months and $6.9 million in the following 12 months.

As of December 31, 2021, we had future operating lease commitments totaling approximately $45,000 over the remainder of the lease, of which the entirety is due over the next 12 months.

We have entered into a license agreement with Catalent Pharma Solutions, LLC (Catalent) whereby we have licensed certain gene expression technology and we contract with Catalent for the manufacture of DM199. Under the terms of this license, certain milestone and royalty payments may become due under this agreement and are dependent upon, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain. During fourth quarter of 2021, we remitted a milestone payment of $185,000 due upon the initiation of dosing in our ReMEDy2 pivotal trial of DM199 in AIS. As of December 31, 2021, one milestone payment obligation remains, $185,000 due upon our first regulatory approval of DM199 for commercial sale. Following the launch of our first product, we will also incur a royalty of less than 1% on net sales. The royalty term is indefinite but the license agreement may be canceled by us on 90 days' prior written notice. The license may not be terminated by Catalent unless we fail to make required milestone and royalty payments.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

This Item 7A is inapplicable to DiaMedica as a smaller reporting company and has been omitted pursuant to Item 305(e) of SEC Regulation S-K.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DiaMedica Therapeutics Inc. and Subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Baker Tilly US, LLP

We have served as the Company's auditors since 2018.
Minneapolis, MN
March 14, 2022

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

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,707	$ 7,409
Marketable securities	40,405	20,098
Amounts receivable	130	340
Deposits	113	10
Prepaid expenses and other assets	84	64
Total current assets	45,439	27,921
Non-current assets:		
Operating lease right-of-use asset	42	100
Property and equipment, net	70	74
Total non-current assets	112	174
Total assets	$ 45,551	$ 28,095
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 509	$ 1,099
Accrued liabilities	966	864
Finance lease obligation	4	6
Operating lease obligation	45	59
Total current liabilities	1,524	2,028
Non-current liabilities:		
Finance lease obligation, non-current	3	7
Operating lease obligation, non-current	—	46
Total non-current liabilities	3	53
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common shares, no par value; unlimited authorized; 26,443,067 and 18,746,157 shares issued and outstanding, as of December 31, 2021 and 2020, respectively	—	—
Paid-in capital	126,576	94,925
Accumulated other comprehensive loss	(51)	(2)
Accumulated deficit	(82,501)	(68,909)
Total shareholders' equity	44,024	26,014
Total liabilities and shareholders' equity	$ 45,551	$ 28,095

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,	
	2021	**2020**
Operating expenses:		
Research and development	$ 8,765	$ 8,205
General and administrative	4,881	4,494
Total operating expenses	13,646	12,699
Operating loss	(13,646)	(12,699)
Other income:		
Other income, net	82	229
Governmental assistance - research incentives	—	205
Total other income, net	82	434
Loss before income tax expense	(13,564)	(12,265)
Income tax expense	(28)	(27)
Net loss	(13,592)	(12,292)
Other comprehensive loss		
Unrealized loss on marketable securities	(49)	(4)
Net loss and comprehensive loss	$ (13,641)	$ (12,296)
Basic and diluted net loss per share	$ (0.65)	$ (0.78)
Weighted average shares outstanding – basic and diluted	20,773,399	15,680,320

See accompanying notes to consolidated financial statements.

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

	Common Shares	Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	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 $2,694	6,725,000	28,805	—	—	28,805
Exercise of common stock options	14,283	45	—	—	45
Share-based compensation expense	—	1,843	—	—	1,843
Unrealized loss on marketable securities	—	—	(4)	—	(4)
Net loss	—	—	—	(12,292)	(12,292)
Balances at December 31, 2020	18,746,157	$ 94,925	$ (2)	$ (68,909)	$ 26,014
Issuance of common shares, net of offering costs of $151	7,653,060	29,849	—	—	29,849
Exercise of common stock options	40,000	244	—	—	244
Issuance of common shares in settlement of deferred stock units	3,850	—	—	—	—
Share-based compensation expense	—	1,558	—	—	1,558
Unrealized loss on marketable securities	—	—	(49)	—	(49)
Net loss	—	—	—	(13,592)	(13,592)
Balances at December 31, 2021	26,443,067	$ 126,576	$ (51)	$ (82,501)	$ 44,024

See accompanying notes to consolidated financial statements.

DiaMedica Therapeutics Inc.
Consolidated Statements of Cash Flows
(In thousands, except share amounts)

	Year Ended December 31,	
	2021	**2020**
Cash flows from operating activities:		
Net loss	$ (13,592)	$ (12,292)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,558	1,843
Amortization of discount on marketable securities	161	(4)
Non-cash lease expense	58	52
Depreciation	24	21
Changes in operating assets and liabilities:		
Amounts receivable	210	483
Deposits	(103)	78
Prepaid expenses	(20)	(17)
Accounts payable	(590)	917
Accrued liabilities	42	(266)
Net cash used in operating activities	(12,252)	(9,185)
Cash flows from investing activities:		
Purchase of marketable securities	(69,813)	(39,746)
Maturities of marketable securities	49,296	23,643
Purchase of property and equipment	(22)	(47)
Disposition of property and equipment, net	2	16
Net cash used in investing activities	(20,537)	(16,134)
Cash flows from financing activities:		
Proceeds from issuance of common shares, net of offering costs	29,849	28,805
Proceeds from exercise of stock options	244	45
Principal payments on finance lease obligations	(6)	(5)
Net cash provided by financing activities	30,087	28,845
Net increase (decrease) in cash and cash equivalents	(2,702)	3,526
Cash and cash equivalents at beginning of period	7,409	3,883
Cash and cash equivalents at end of period	$ 4,707	$ 7,409
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 28	$ 36

See accompanying notes to consolidated financial statements.

1. Business

DiaMedica Therapeutics Inc. and its wholly-owned subsidiaries, DiaMedica USA, Inc. and DiaMedica Australia Pty Ltd. (collectively we, us, our, DiaMedica and the Company), exist for the primary purpose of advancing the clinical and commercial development of a proprietary recombinant KLK1 protein for the treatment of neurological and kidney diseases. Currently, our primary focus is on acute ischemic stroke (AIS) and chronic kidney disease (CKD). Our parent company is governed under British Columbia's 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 Food and Drug Administration (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 AIS and CKD. The Company has not completed the development of any product candidate and does not 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 four years, if at all. Additionally, clinical testing has been adversely impacted by the surge in the Delta and other variants of the COVID-19 virus. We have experienced slower than expected site activations and enrollment in our clinical trials due to the reduction or suspension of activities at our clinical study sites, staffing shortages and patient concerns related to visiting clinical study sites. We anticipate that the continuing development of variants of COVID-19 will likely continue to adversely affect our ability to recruit or enroll patients and initiate new clinical trial sites, and we cannot provide any assurance as to when these issues will resolve. 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 December 31, 2021, we have incurred losses of $82.5 million since our inception in 2000. For the year ended December 31, 2021, we incurred a net loss of $13.6 million and negative cash flows from operating activities of $12.3 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 are sufficient to generate revenue to fund our continuing operations. Further, we expect our operating losses to continue as we pursue the research, development and clinical trials of, and to seek regulatory approval for, our DM199 product candidate. In addition, we expect our operating expenses to increase in 2022 compared to 2021 in conjunction with our recently initiated ReMEDy2 acute ischemic stroke trial. As of December 31, 2021, we had cash, cash equivalents and short-term investments of $45.1 million, working capital of $43.9 million and shareholders' equity of $44.0 million.

Our principal sources of cash have included net proceeds from the issuance of our equity securities. See Note 11 titled "Shareholders' Equity" for additional information. 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.

Notwithstanding the completion of our September 2021 private placement in which we received net proceeds of $29.8 million, we expect that we will need substantial additional capital to further our research and development activities, complete the required clinical studies, regulatory activities and manufacturing development for our product candidate, DM199, or any future product candidates, to a point where they may be licensed or commercially sold. We expect our current cash, cash equivalents and marketable securities to fund our planned operations for at least the next twelve months from the date of issuance of these consolidated financial statements. The amount and timing of our future funding requirements will depend on many factors, including the timing and results of ongoing development efforts, including enrollment in our clinical studies, the potential expansion of current development programs, potential new development programs, the effects of the COVID-19 pandemic 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, especially if market conditions for raising capital are favorable.

3. Summary of Significant Accounting Policies

Basis of consolidation

The accompanying consolidated financial statements include the assets, liabilities and expenses of DiaMedica Therapeutics Inc., and our wholly-owned subsidiaries, DiaMedica USA, Inc. and DiaMedica Australia Pty Ltd. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Functional currency

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

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

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.

Marketable securities

The Company's marketable securities typically consist of obligations of the United States government and its agencies, bank certificates of deposit and investment grade corporate obligations, which are classified as available-for-sale and included in current assets. All marketable securities mature within twelve months from their date of purchase and generally 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 gain (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 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 and impairment is indicated, it must be determined whether the impairment 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 gain (loss). There were no other-than-temporary unrealized losses as of December 31, 2021.

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 December 31, 2021, 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.

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.

Long-lived assets

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

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

Research and development costs

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

We charge research and development costs, including clinical trial costs, to expense when incurred. Our human clinical trials are performed at clinical trial sites and are administered jointly by us with assistance from various contract research organizations. Costs of setting up clinical trial sites are accrued upon execution of the study agreement. Expenses related to the performance of clinical trials are recorded or accrued based on actual invoices received and estimates of work completed to date by contract research organizations, outside contractors and clinical trial sites that assist with management and performance of the trials, and those that manufacture the investigational product. We obtain initial estimates of accrued costs based on the trial protocol, actual enrollment of subjects, trial duration, project and data management costs, patient treatment costs and other activities as required by the trial protocol. Additionally, actual costs may be charged to us and are recognized as the tasks are completed by the clinical trial site. Accrued clinical trial costs may be subject to revisions as clinical trials progress and any revisions are recorded in the period in which the facts that give rise to the revisions become known.

Patent costs

Costs associated with applying for, prosecuting and maintaining patents are expensed as incurred given the uncertainty of patent approval and, if approved, the resulting probable future economic benefit to the Company. Patent-related costs, consisting primarily of legal expenses and filing/maintenance fees, are included in general and administrative costs and were $96,000 and $105,000 for the years ended December 31, 2021 and 2020, respectively.

Share-based compensation

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

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

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted rates, for each of the jurisdictions in which the Company operates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company has provided a full valuation allowance against the gross deferred tax assets as of December 31, 2021 and 2020. See Note 14, “Income Taxes” for additional information. The Company’s policy is to classify interest and penalties related to income taxes as income tax expense.

Government assistance

Government assistance relating to research and development performed by DiaMedica Australia Pty Ltd. is recorded as a component of other (income) expense. Government assistance is recognized when the related expenditures are incurred. No study activities were undertaken by DiaMedica Australia during 2021. We recognized $205,000 of other income related to research activities performed in 2020.

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 the exclusion of common share equivalents as their effect would be anti-dilutive.

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

	Year Ended December 31,	
	2021	2020
Net loss	$ (13,592)	$ (12,292)
Weighted average shares outstanding—basic and diluted	20,773,399	15,680,320
Basic and diluted net loss per share	$ (0.65)	$ (0.78)

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

	Year Ended December 31,	
	2021	2020
Employee and non-employee stock options	1,896,600	1,389,564
Common shares issuable under common share purchase warrants	265,000	265,000
Common shares issuable upon settlement of deferred stock units	67,659	47,237
	2,229,259	1,701,801

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 as of December 31, 2021 Using Inputs Considered as		
	Fair Value	Level 1	Level 2	Level 3
Commercial paper and corporate bonds	$ 29,421	$ —	$ 29,421	$ —
Government securities	10,984	—	10,984	—
Total marketable securities	$ 40,405	$ —	$ 40,405	$ —

		Fair Value Measurements as of December 31, 2020 Using Inputs Considered as		
	Fair Value	Level 1	Level 2	Level 3
Commercial paper and corporate bonds	$ 10,678	$ —	$ 10,678	$ —
Bank certificates of deposit	496	—	496	—
Government securities	8,924	—	8,924	—
Total marketable securities	$ 20,098	$ —	$ 20,098	$ —

Accrued interest receivable on available-for-sale securities was $130,000 and $34,000 for the years ended December 31, 2021 and 2020, respectively, and is included in amounts receivable.

There were no transfers of assets between Level 1 and Level 2 of the fair value measurement hierarchy during the year ended December 31, 2021.

Under the terms of the Company’s investment policy, purchases of marketable securities are limited to investment grade governmental and corporate obligations 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 December 31, 2021.

5. Amounts Receivable

Amounts receivable consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Accrued interest receivable	$ 130	$ 34
Research and development incentives	—	289
Other	—	17
Total amounts receivable	$ 130	$ 340

6. Deposits

Deposits consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Advances to vendors, current	$ 113	$ 10

We periodically advance funds to vendors engaged to support the performance of our clinical trials and related 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):

	December 31, 2021	December 31, 2020
Furniture and equipment	$ 70	$ 69
Computer equipment	67	62
	137	131
Less accumulated depreciation	(67)	(57)
Property and equipment, net	$ 70	$ 74

Depreciation expense was $24,000 and $21,000 for each of the years ended December 31, 2021 and 2020, respectively. During 2021 and 2020, we disposed of $17,000 and $23,000 of equipment, respectively.

8. Accounts Payable and Accrued Liabilities

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

	December 31, 2021	December 31, 2020
Trade and other payables	$ 509	$ 1,099
Accrued compensation	484	483
Accrued research and other professional fees	191	360
Accrued clinical trial costs	284	13
Accrued other liabilities	7	8
Total accounts payable and accrued liabilities	$ 1,475	$ 1,963

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, considering the quoted rates for the lowest investment-grade debt and the interest rates implicit in recent financing leases, we estimated our incremental borrowing rate to be 9%. 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 costs were $65,000 and $66,000 for the years ended December 31, 2021 and 2020, respectively. Our variable lease costs were $56,000 and $53,000 for the years ended December 31, 2021 and 2020, respectively. 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 December 31, 2021 (in thousands):

2022	$ 46
Total lease payments	46
Less interest portion	(1)
Present value of lease obligation	$ 45

10. Commitments and Contingencies

Clinical trials and product development

In the normal course of business, we incur obligations to make future payments as we execute our business plan. These obligations may relate to preclinical or clinical studies, manufacturing or manufacturing process development and other related activities. Currently, these obligations include costs to be incurred with contract research organizations, central laboratory and pharmacy services, clinical study sites, home nursing services and various other vendors supporting the performance of our clinical trials. The contracts we enter into with these vendors and the commitments within these contracts are subject to significant variability based upon the actual activities/services performed by each vendor. As a result, the ultimate amounts due may be materially different as these obligations are affected by, among other factors, the number and pace of patients enrolled, the number of clinical study sites enrolling subjects, the amount of time to complete trial enrollments and the time required to finalize, analyze and report of trial results. Clinical research agreements are generally cancelable upon up to 60 days' notice, with the Company's obligation limited to costs incurred up to that date, including any non-cancelable costs. Cancelation terms for product manufacturing and process development contracts vary and are generally dependent upon timelines for sourcing research materials and reserving laboratory time. As of December 31, 2021, the Company estimates that its outstanding commitments, including such cancellable contracts, are approximately $6.0 million over the next 12 months and $6.9 million in the following 12 months.

On November 11, 2021, we announced the enrollment of the first patient for our pivotal ReMEDy2 trial. The ReMEDy2 trial is a randomized, double-blind, placebo-controlled Phase 2/3 adaptive trial intended to enroll approximately 350 patients. Patients enrolled in the trial will be treated with either DM199 or placebo within 24 hours of the onset of AIS symptoms. Treatment continues twice weekly for approximately three weeks with final follow-up at approximately 90 days after treatment commences.

Our REDUX clinical trial , a multi-center, open-label, Phase 2 clinical trial investigating patients with Stage II or III CKD has completed enrollment. The trial focused on participants with CKD caused by three specific conditions: Cohort 1 focused on non-diabetic, hypertensive African Americans with Stage II or III CKD; Cohort 2 focused on participants with IgA Nephropathy (IgAN); and Cohort 3 focused on participants with Type 2 diabetes mellitus with CKD, hypertension and albuminuria. Enrollment was closed at the end of 2021 and patient follow-ups and final data analysis is expected to complete by mid-2022.

Technology license

We have entered into a license agreement with Catalent Pharma Solutions, LLC (Catalent) whereby we have licensed certain gene expression technology and we contract with Catalent for the manufacture of DM199. Under the terms of this license, certain milestone and royalty payments may become due under this agreement and are dependent upon, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain. In the fourth quarter of 2021, we remitted the $185,000 milestone due upon the initiation of dosing in our ReMEDy2 pivotal trial of DM199 in AIS. As of December 31, 2021, one milestone payment obligation remains, $185,000 due upon our first regulatory approval of DM199 for commercial sale. Following the launch of our first product, we will also incur a royalty of less than 1% on net sales. The royalty term is indefinite but the license agreement may be canceled by us on 90 days' prior written notice. The license may not be terminated by Catalent unless we fail to make required milestone and royalty payments.

Indemnification of directors and officers

The Company, as permitted under laws of British Columbia and in accordance with the Company's Articles and indemnification agreements, will indemnify and advance expenses to its directors and officers to the fullest extent permitted by law and may choose to indemnify other employees or agents from time to time. The Company has secured insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to the Company. As of December 31, 2021, there was no pending litigation or proceeding involving any director or officer of the Company as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification. Insofar as indemnification for liabilities arising under the United States Securities Act of 1933, as amended (Securities Act) may be permitted to directors, officers and controlling persons of the Company, the Company has been advised that, in the opinion of the United States Securities and Exchange Commission (SEC), such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. The Company believes the fair value of these indemnification agreements is minimal. Accordingly, the Company had not recorded any liabilities for these obligations as of December 31, 2021 or 2020.

11. Shareholders' Equity

Authorized capital stock

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

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

Equity issued during the year ended December 31, 2021

On September 26, 2021, we issued and sold in a private placement an aggregate 7,653,060 common shares at a purchase price of $3.92 per share to ten accredited investors resulting in gross proceeds of $30.0 million and net proceeds to us of $29.8 million, after deducting offering expenses. In connection with this private placement, we entered into a registration rights agreement (Registration Rights Agreement) with the investors pursuant to which we agreed to file with the SEC a registration statement registering the resale of the shares sold in the private placement (Resale Registration Statement). The Resale Registration Statement was filed with the SEC on October 5, 2021 and declared effective by the SEC on October 14, 2021. Under the terms of the Registration Rights Agreement, we agreed to keep the Resale Registration Statement effective at all times until the shares are no longer considered "Registrable Securities" under the Registration Rights Agreement and if we fail to keep the Resale Registration Statement effective, subject to certain permitted exceptions, we will be required to pay liquidated damages to the investors in an amount of up to 10% of the invested capital, excluding interest. We also agreed, among other things, to indemnify the selling holders under the Resale Registration Statement from certain liabilities and to pay all fees and expenses incident to our performance of or compliance with the Registration Rights Agreement.

During the year ended December 31, 2021, 40,000 common shares were issued upon the exercise of options for gross proceeds of $244,000 and no warrants were exercised and 3,850 common shares were issued upon the settlement of deferred stock units.

Equity issued during the year ended December 31, 2020

On August 10, 2020, the Company issued and sold an aggregate of 4,600,000 common shares in an initial public offering at a price to the public of $5.00 per share. As a result of the offering, the Company received gross proceeds of $23.0 million, which resulted in net proceeds to the Company of approximately $21.1 million, after deducting the underwriting discount and offering expenses.

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

During the year ended December 31, 2020, 14,283 common shares were issued upon the exercise of options for gross proceeds of $45,161 and no warrants were exercised.

Shares reserved

Common shares reserved for future issuance are as follows:

	December 31, 2021
Employee and non-employee stock options	1,896,600
Common shares issuable upon settlement of deferred stock units	67,659
Common shares issuable under common share purchase warrants	265,000
Shares available for grant under the 2019 Omnibus Incentive Plan	507,651
Shares available for grant under the 2021 Employment Inducement Incentive Plan	1,000,000
Total	3,736,910

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 (Board) 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 (ISO), stock appreciation rights (SAR), restricted stock awards (RSA), restricted stock units (RSU), deferred stock units (DSU), 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 four 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 December 31, 2021, there were options to purchase 1,418,690 common shares were outstanding and 50,326 common shares were reserved for issuance upon settlement of DSUs under the 2019 Plan.

2021 Employment Inducement Incentive Plan

On December 3, 2021, the Board adopted the DiaMedica Therapeutics Inc. 2021 Employment Inducement Incentive Plan (Inducement Plan), to facilitate the granting of equity awards as an inducement material to new employees joining the Company. The Inducement Plan was adopted without shareholder approval pursuant to Nasdaq Listing Rule 5635(c)(4) and is administered by the Compensation Committee of the Board of Directors. The Board reserved 1,000,000 common shares of the Company for issuance under the Inducement Plan, which permits the grant of non-statutory options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and other stock-based awards, to eligible recipients. The only persons eligible to receive awards under the Inducement Plan are individuals who are new employees and satisfy the standards for inducement grants under Nasdaq Listing Rule 5635(c)(4) or 5635(c)(3), as applicable. Also on December 3, 2021, the Compensation Committee adopted a form of notice of option grant and option award agreement for use under the Inducement Plan, which contains terms substantially identical to the form of notice of option grant and option award agreement for use under the shareholder-approved 2019 Plan. The Inducement Plan has a term of 10 years. The share reserve under the Inducement Plan may be increased at the discretion of and approval by the Board. As of December 31, 2021, no options or other equity awards had been granted under the Inducement Plan. However, subsequent to year end, options to purchase an aggregate of 325,000 common shares were granted to two qualifying new employees under the Inducement 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 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 December 31, 2021, options to purchase 477,910 common shares were outstanding under the Prior Plan.

Prior Deferred Share Unit Plan

The DiaMedica Therapeutics Inc. Amended and Restated Deferred Share Unit Plan (Prior DSU Plan) was terminated by the Board 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 December 31, 2021, there were 17,333 common shares reserved for issuance upon settlement of DSUs outstanding under the Prior DSU Plan. On December 16, 2021, we settled 3,850 DSUs held by our former director, Zhenyu Xiao, Ph.D, pursuant to the terms of the Prior DSU Plan and the award agreement evidencing the grant of such DSUs.

Prior to December 31, 2018, all options granted under the Prior Plan were priced in Canadian dollars. Options granted after December 31, 2018 under the 2019 Plan and the Prior Plan have been priced in United States dollars.

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

	December 31, 2021	December 31, 2020
Research and development	$ 463	$ 534
General and administrative	1,095	1,309
Total share-based compensation	$ 1,558	$ 1,843

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

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

	Shares Underlying Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balances at December 31, 2019	1,220,359	$ 5.33	$ 678
Granted	302,332	4.73	
Exercised	(14,283)	3.21	
Expired/cancelled	(78,147)	5.29	
Forfeited	(40,697)	4.86	
Balances at December 31, 2020	1,389,564	$ 5.24	$ 7,109
Granted	638,008	5.18	
Exercised	(40,000)	6.10	
Expired/cancelled	(20,972)	12.65	
Forfeited	(70,000)	4.24	
Balances at December 31, 2021	1,896,600	$ 5.25	$ 169

A summary of the status of our unvested shares underlying options during the year ended and as of December 31, 2021 is as follows:

	Shares Underlying Options	Weighted Grant Date Fair Value Per Share
Unvested at December 31, 2020	390,826	$ 3.49
Granted	638,008	3.16
Vested	(347,110)	3.26
Forfeited	(70,000)	3.70
Unvested at December 31, 2021	611,724	$ 3.21

Information about stock options outstanding, vested and expected to vest as of December 31, 2021, 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	120,500	4.0	$ 2.39	120,500	4.0
$3.00 - $3.99	170,508	8.2	3.75	49,325	6.4
$4.00 - $4.99	953,567	7.5	4.50	823,025	7.3
$5.00 - $10.00	594,525	8.2	6.38	249,526	6.4
$10.01 - $34.00	57,500	4.0	16.18	42,500	2.2
	1,896,600	7.4	$ 5.25	1,284,876	6.6

The cumulative grant date fair value of employee options vested during the years ended December 31, 2021 and 2020 was $1.3 million and $1.4 million, respectively. Total proceeds received for options exercised during the years ended December 31, 2021 and 2020 were $244,000 and $45,000, respectively.

As of December 31, 2021, total compensation expense related to unvested employee stock options not yet recognized was $1.8 million, which is expected to be allocated to expenses over a weighted-average period of 2.6 years.

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2021 and 2020 was $132,000 and $41,000, respectively.

The assumptions used in calculating the fair value under the Black-Scholes option valuation model are set forth in the following table for options issued by the Company for the years ended December 31, 2021 and 2020:

	2021	2020
Common share fair value	$3.64 – $10.04	$4.08 – $6.91
Risk-free interest rate	0.5 – 1.3%	0.3 – 1.3%
Expected dividend yield	0%	0%
Expected option life (years)	5.0 – 5.5	5.0 – 5.2
Expected stock price volatility	94.7 – 106.1%	94.4 – 102.2%

Deferred Stock Units and Restricted Stock Units

Under our non-employee director compensation program, non-employee directors may elect to receive RSUs or DSUs in lieu of all or a portion of the annual cash retainers payable to such director. Each RSU or DSU represents the right to receive one share of our common stock. These recipients receive a number of DSUs equal to the amount of the elected portion of the annual cash retainers divided by the 10-trading day average closing sale price of the common stock as determined on the third (3rd) business day prior to the anticipated grant date of the award. Vesting for these annual RSU and DSU grants is quarterly over one year, conditioned on continuous service. The cost of DSUs is measured and recognized base on the fair market value of our common shares on the date of grant. RSUs will be settled immediately upon vesting and DSU awards will be settled following a separation from service by such director.

There were approximately 68,000 and 47,000 vested DSUs and no RSUs outstanding under our share-based compensation plans as of December 31, 2021 and 2020, respectively. During 2021, 3,850 common shares were issued upon settlement of 3,850 DSUs held by a former non-employee director. There were no unvested DSUs as of December 31, 2021 and 2020.

13. Related Party Transaction

During 2020, we engaged a consulting firm owned by our former Vice President of Regulatory Affairs to perform certain tasks supporting our quality and regulatory activities. The work was performed as required by us and all services were invoiced on an hourly basis with no minimum commitment. We terminated this agreement effective June 16, 2021. Total charges invoiced were $149,000 and $235,000 for the years ended December 31, 2021 and 2020, respectively.

14. Employee Benefit Plan

We maintain an employee 401(k) retirement savings plan (401(k) Plan). The 401(k) Plan provides eligible employees with an opportunity to make tax-deferred contributions into a long-term investment and savings program. All employees over the age of 21 may elect to participate in the 401(k) Plan beginning on their hire date. The 401(k) Plan allows eligible employees to contribute a portion of their annual compensation, subject only to maximum limits required by law. We contribute an amount up to 4% of each employees' compensation under the safe harbor provisions provided by the Internal Revenue Service rules governing 401(k) plans. Employee and employer safe harbor contributions vest immediately.

We have recorded contribution expenses of $87,000 and $62,000 for the years ended December 31, 2021 and 2020, respectively.

15. Income Taxes

The Company has incurred net operating losses since inception. The Company has not reflected the benefit of net operating loss carryforwards in the accompanying consolidated financial statements and has established a full valuation allowance against its deferred tax assets.

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

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

	December 31,	
	2021	2020
Deferred tax assets (liabilities):		
Non-capital losses carried forward	$ 17,596	$ 14,321
Research and development expenditures	817	817
Share issue costs	608	837
Patents and other	309	300
Accruals	76	6
Property and equipment	(13)	(14)
Total deferred tax asset, net	19,393	16,267
Valuation allowance	(19,393)	(16,267)
Net deferred tax asset	$ —	$ —

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

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

	December 31,	
	2021	2020
Statutory income tax rate	27.0%	27.0%
Income tax recovery based on statutory rate	$ (3,656)	$ (3,274)
Share-based compensation	421	498
Prior-year true-ups	134	84
Share issuance costs	(41)	(728)
Australian research and development incentive	2	(102)
Other	42	15
Change in valuation allowance	3,126	3,534
Income tax expense	$ 28	$ 27

Net operating losses and tax credit carryforwards as of December 31, 2021, are as follows:

	Amount (In thousands)	Expiration Years
Non-capital income tax losses, net	$ 61,584	Beginning 2026
Research and development expense carry forwards	3,027	Indefinitely
Tax credits	483	Beginning 2021

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

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 its Chief Executive Officer and its 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.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

This annual report on Form 10-K does not include an attestation report of our independent registered public accounting firm on internal control over financial reporting due to an exemption established by the JOBS Act for "emerging growth companies."

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2021 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

The information in the "Voting Proposal One – Election of Directors" section of our definitive proxy statement to be filed with the SEC with respect to our next annual general meeting of shareholders, which involves the election of directors, is incorporated in this annual report on Form 10-K by reference.

Executive Officers

Information concerning our executive officers is included in this annual report on Form 10-K under Item 1 of Part I under "Information About Our Executive Officers."

Code of Ethics

We have adopted a code of business conduct and ethics applicable to all of our directors, officers and employees, in accordance with Section 406 of the Sarbanes-Oxley Act, the rules of the SEC promulgated thereunder, and the Nasdaq Listing Rules. In the event that any changes are made or any waivers from the provisions of the code of business conduct and ethics are made, these events would be disclosed on our website or in a report on Form 8-K within four business days of such event. The code of business conduct and ethics is posted on our website at www.diamedica.com. Copies of the code of business conduct and ethics will be provided free of charge upon written request directed to Investor Relations, DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447.

Changes to Nomination Procedures

During the fourth quarter of fiscal 2021, we made no material changes to the procedures by which shareholders may recommend nominees to our Board of Directors.

Audit Committee Matters

The information in the "Corporate Governance—Audit Committee" section of our definitive proxy statement to be filed with the SEC with respect to our next annual general meeting of shareholders, which involves the election of directors, is incorporated in this annual report on Form 10-K by reference.

Item 11. Executive Compensation

The information in the "Director Compensation" and "Executive Compensation" sections of our definitive proxy statement to be filed with the SEC with respect to our next annual general meeting of shareholders, which involves the election of directors, is incorporated in this annual report on Form 10-K by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Stock Ownership

The information in the "Stock Ownership—Security Ownership of Significant Beneficial Owners" and "Stock Ownership—Security Ownership of Management" sections of our definitive proxy statement to be filed with the SEC with respect to our next annual general meeting of shareholders, which involves the election of directors, is incorporated in this annual report on Form 10-K by reference.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes outstanding options and other awards under our equity compensation plans as of December 31, 2021. Our equity compensation plans as of December 31, 2021 were the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan (2019 Plan), the DiaMedica Therapeutics Inc. Stock Option Plan, Amended and Restated November 6, 2018 (Prior Plan), the DiaMedica Therapeutics Inc. Amended and Restated Deferred Share Unit Plan (DSU Plan) and the DiaMedica Therapeutics Inc. 2021 Employment Inducement Incentive Plan (Inducement Plan).

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,964,259[1]	$ 5.24[2]	507,651[3]
Equity compensation plans not approved by security holders	—	$ —	1,000,000[4]
Total	1,964,259[1]	$ 5.24[2]	1,507,651[3]

(1) Amount includes 1,418,690 common shares issuable upon the exercise of stock options and 50,326 common shares issuable upon the settlement of DSU awards outstanding under the 2019 Plan, 477,910 common shares issuable upon the exercise of stock options under the Prior Plan and 17,333 common shares issuable under the DSU Plan.

(2) Not included in the weighted-average exercise price calculation are 50,326 deferred stock unit awards under the 2019 Plan and 17,333 deferred stock unit awards under the DSU Plan.

(3) Amount includes 507,651 shares remaining available for future issuance under the 2019 Plan and 1,000,000 remaining available for future issuance under the 2021 Plan.

(4) On December 3, 2021, the Board adopted Inducement Plan to facilitate the granting of equity awards as an inducement material to new employees joining the Company. The Inducement Plan was adopted without shareholder approval pursuant to Nasdaq Listing Rule 5635(c)(4) and is administered by the Compensation Committee of the Board of Directors. The Board reserved 1,000,000 common shares of the Company for issuance under the Inducement Plan, which permits the grant of non-statutory options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and other stock-based awards, to eligible recipients. The only persons eligible to receive awards under the Inducement Plan are individuals who are new employees and satisfy the standards for inducement grants under Nasdaq Listing Rule 5635(c)(4) or 5635(c)(3), as applicable. Also on December 3, 2021, the Compensation Committee adopted a form of notice of option grant and option award agreement for use under the Inducement Plan, which contains terms substantially identical to the form of notice of option grant and option award agreement for use under the shareholder-approved 2019 Plan. The Inducement Plan has a term of 10 years. The share reserve under the Inducement Plan may be increased at the discretion of and approval by the Board. As of December 31, 2021, no options or other equity awards had been granted under the Inducement Plan. However, subsequent thereto, options to purchase an aggregate of 325,000 common shares were granted under the Inducement Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information in the "Related Person Relationships and Transactions" and "Corporate Governance—Director Independence" sections of our definitive proxy statement to be filed with the SEC with respect to our next annual general meeting of shareholders, which involves the election of directors, is incorporated in this annual report on Form 10-K by reference.

Item 14. Principal Accountant Fees and Services

The information in the "Voting Proposal Two—Appointment of Baker Tilly US, LLP as our Independent Registered Public Accounting Firm and Authorization to Fix Remuneration" section of our definitive proxy statement to be filed with the SEC with respect to our next annual general meeting of shareholders, which involves the election of directors, is incorporated in this annual report on Form 10-K by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

Our consolidated financial statements are included in "*Part II, Item 8. Financial Statements and Supplementary Data.*"

Financial Statement Schedules

All financial statement schedules are omitted because they are inapplicable since we are a smaller reporting company.

Exhibits

The exhibits being filed or furnished with this report are listed below, along with an indication as to each management contract or compensatory plan or arrangement.

A copy of any of the exhibits listed or referred to herein will be furnished at a reasonable cost to any person who is a shareholder upon receipt from any such person of a written request for any such exhibit. Such request should be sent to: Mr. Scott Kellen, Chief Financial Officer and Corporate Secretary, DiaMedica Therapeutics Inc., Two Carlson Parkway, Suite 260, Minneapolis, Minnesota 55447, Attn: Shareholder Information.

Item No.	Item	Method 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	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Incorporated by reference to Exhibit 4.1 to DiaMedica's Annual Report on Form 10-K for the year ended December 31, 2020 (File No. 001-36291)
4.2	Specimen Certificate representing Voting Common Shares of DiaMedica Therapeutics Inc.	Incorporated by reference to Exhibit 4.2 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)
4.3	Warrant dated December 11, 2018 issued by DiaMedica Therapeutics Inc. to Craig-Hallum Capital Group LLC	Incorporated by reference to Exhibit 10.1 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 11, 2018 (File No. 001-36291)

Item No.	Item	Method of Filing
4.4	Warrant dated October 1, 2019 issued by DiaMedica Therapeutics Inc. to Craig-Hallum Capital Group LLC	Incorporated by reference to Exhibit 4.8 to DiaMedica's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36291)
4.5	Warrant dated September 11, 2020 issued by DiaMedica Therapeutics Inc. to Craig-Hallum Capital Group LLC	Incorporated by reference to Exhibit 4.1 to DiaMedica's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (File No. 001-36291)
4.6	Registration Rights Agreement dated as of September 28, 2021 among DiaMedica Therapeutics Inc. and the Purchasers Party Thereto	Incorporated by reference to Exhibit 4.5 to DiaMedica's Registration Statement on Form S-3 as filed with the Securities and Exchange Commission on October 5, 2021 (File No. 333-260066)
10.1#	DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan	Incorporated by reference to Exhibit 10.1 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 23, 2019 (File No. 001-36291)
10.2#	Form of Option Award Agreement under the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan	Filed herewith
10.3#	Form of Restricted Stock Unit Award Agreement under the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan	Incorporated by reference to Exhibit 10.3 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 21, 2019 (File No. 001-36291)
10.4#	Form of Deferred Stock Unit Award Agreement under the DiaMedica Therapeutics Inc. 2019 Omnibus Incentive Plan	Incorporated by reference to Exhibit 10.1 to DiaMedica's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (File No. 001-36291)
10.5#	DiaMedica Therapeutics Inc. 2021 Employment Inducement Incentive Plan	Filed herewith
10.6#	Form of Inducement Option Award Agreement under the DiaMedica Therapeutics Inc. 2021 Employment Incentive Plan	Filed herewith
10.7#	DiaMedica Therapeutics Inc. Stock Option Plan Amended and Restated November 6, 2018	Incorporated by reference to Exhibit 10.1 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.8#	Form of Option Agreement under the DiaMedica Therapeutics Inc. Stock Option Plan Amended and Restated November 6, 2018	Incorporated by reference to Exhibit 10.3 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)

Item No.	Item	Method of Filing
10.9#	Form of Option Agreement under the DiaMedica Therapeutics Inc. Stock Option Plan Amended and Restated December 21, 2017	Incorporated by reference to Exhibit 10.2 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.10#	DiaMedica Therapeutics Inc. Amended and Restated Deferred Share Unit Plan	Incorporated by reference to Exhibit 10.4 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.11#	DiaMedica Therapeutics Inc. Short-Term Incentive Plan	Incorporated by reference to Exhibit 10.1 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 21, 2019 (File No. 001-36291)
10.12#	Form of Indemnification Agreement between DiaMedica Therapeutics Inc. and Each Director and Officer	Incorporated by reference to Exhibit 10.1 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)
10.13#	Employment Agreement effective as of September 12, 2018 between DiaMedica USA, Inc. and Rick Pauls	Incorporated by reference to Exhibit 10.6 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.14#	Employment Agreement effective as of September 12, 2018 between DiaMedica USA, Inc. and Scott Kellen	Incorporated by reference to Exhibit 10.7 to DiaMedica's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36291)
10.15#	Employment Agreement effective as of September 12, 2018 between DiaMedica USA, Inc. and Harry Alcorn, Ph.D.	Incorporated by reference to Exhibit 10.9 to DiaMedica's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36291)
10.16	Two Carlson Parkway Office Lease dated September 18, 2015 between One Two Holding LLC and DiaMedica USA Inc.	Incorporated by reference to Exhibit 10.8 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.17	Supplemental to Lease Agreement dated December 16, 2015 between One Two Holding LLC and DiaMedica USA Inc.	Incorporated by reference to Exhibit 10.9 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)

Item No.	Item	Method of Filing
10.18	First Amendment to Lease dated May 3, 2017 between One Two Holding LLC and DiaMedica USA Inc.	Incorporated by reference to Exhibit 10.10 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.19	Second Amendment to Lease dated September 5, 2017 between One Two Holding LLC and DiaMedica USA Inc.	Incorporated by reference to Exhibit 10.11 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.20(1)	GPEx® - Derived Cell Line Sale Agreement dated February 2, 2012 between DiaMedica Therapeutics Inc. and Catalent Pharma Solutions, LLC	Incorporated by reference to Exhibit 10.12 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.21	First Amendment to GPEx® Development and Manufacturing Agreement dated April 10, 2017 between DiaMedica Therapeutics Inc. and Catalent Pharma Solutions, LLC	Incorporated by reference to Exhibit 10.13 to DiaMedica's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on November 9, 2018 (File No. 333-228313)
10.22	Second Amendment to GPEx® Development and Manufacturing Agreement dated as of October 22, 2018 between DiaMedica Therapeutics Inc. and Catalent Pharma Solutions, LLC	Incorporated by reference to Exhibit 10.19 to DiaMedica's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36291)
10.23	Securities Purchase Agreement dated as of September 26, 2021 among DiaMedica Therapeutics Inc. and the Purchasers Party Thereto	Incorporated by reference to Exhibit 10.1 to DiaMedica's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 27, 2021 (File No. 001-36291)
21.1	Subsidiaries of DiaMedica Therapeutics Inc.	Incorporated by reference to Exhibit 21.1 to DiaMedica's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36291)
23.1	Consent of Baker Tilly US, LLP	Filed herewith
31.1	Certification of President and Chief Executive Officer Pursuant to SEC Rule 13a-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 SEC Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of President and Chief Executive Officer Pursuant to Rule 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 Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following materials from DiaMedica Therapeutics Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements	Filed herewith
104	Cover Page Interactive Data File	Embedded within the Inline XBRL document

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# Indicates a management contract or compensatory plan or arrangement.

(1) Portions of this exhibit have been redacted and are subject to an order granting confidential treatment under Rule 406 of the United States Securities Act of 1933, as amended (File No. 333-228313, CF #36833). The redacted material was filed separately with the Securities and Exchange Commission.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 14, 2022

By: /s/ Rick Pauls
Rick Pauls
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Rick Pauls Rick Pauls	President, Chief Executive Officer and Director (principal executive officer)	March 14, 2022
/s/ Scott Kellen Scott Kellen	Chief Financial Officer and Secretary (principal financial and accounting officer)	March 14, 2022
/s/ Richard Pilnik Richard Pilnik	Chairman of the Board	March 14, 2022
/s/ Amy L. Burroughs Amy L. Burroughs	Director	March 14, 2022
/s/ Michael Giuffre, M.D. Michael Giuffre, M.D.	Director	March 14, 2022
/s/ James Parsons James Parsons	Director	March 14, 2022
/s/ Charles P. Semba, M.D. Charles P. Semba, M.D.	Director	March 14, 2022

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BOARD OF DIRECTORS

Richard Pilnik
Chairman of the Board

Amy Burroughs
President and Chief Executive Officer
Cleave Therapeutics, Inc.

Michael Giuffre, M.D.
Clinical Professor of Cardiac Sciences and Pediatrics at the University of Calgary

James Parsons
Former Chief Financial Officer and Corporate Secretary of Trillium Therapeutics Inc.

Rick Pauls
President and Chief Executive Officer
DiaMedica Therapeutics Inc.

Charles Semba, M.D.
Chief Medical Officer
Eluminex Biosciences

EXECUTIVE OFFICERS

Rick Pauls
President and Chief Executive Officer

Kirsten Gruis, M.D.
Chief Medical Officer

Scott Kellen
Chief Financial Officer and Corporate Secretary

Harry Alcorn Jr., PharmD
Senior Vice President, Clinical Operations

Dominic Cundari
Chief Commercial Officer

PROFESSIONAL SERVICE PROVIDERS

Independent Auditors
Baker Tilly US, LLP
225 South Sixth Street
Suite 2300
Minneapolis, MN 55402

Legal Counsel
Fox Rothschild LLP
Campbell Mithun Tower
Suite 2000
222 South Ninth Street
Minneapolis, MN 55402

Pushor Mitchell LLP
301 – 1665 Ellis Street
Kelowna, BC V1Y 2B3
Canada

Patent Counsel
Cooley LLP
1700 Seventh Avenue
Suite 1900
Seattle, WA 98101

Transfer Agent and Registrar
Computershare Investor Services
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Canada
800.564.6253
+1 (514) 982 7555
service@computershare.com

SHARE INFORMATION

Our voting common shares are traded on The Nasdaq Capital Market under the symbol "DMAC."

ANNUAL GENERAL MEETING

The Annual General Meeting of our shareholders will be held on Tuesday, May 18, 2022, beginning at 1:00 p.m., Central Daylight Savings Time, at the offices of:

DiaMedica Therapeutics Inc.
Two Carlson Parkway
Suite 260
Minneapolis, MN 55447

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