

## AGENCY AGREEMENT

December 13, 2013

DiaMedica Inc.  
c/o DiaMedica USA Inc.  
One Carlson Parkway, Suite 124  
Minneapolis, Minnesota 55447

Dear Sirs:

**Re: Offering of Units**

Jordan Capital Markets Inc., as agent (the "**Agent**"), understands that DiaMedica Inc. (the "**Corporation**") proposes to issue and sell (the "**Offering**") up to 2,778,000 units of securities of the Corporation (the "**Initial Units**") at a price of \$0.90 per unit (the "**Offering Price**"). In addition, the Agent also understands that the Corporation proposes to grant to the Agent an option (the "**Agent's Option**"), exercisable in whole or in part by written notice given from time to time on or prior to the thirtieth (30<sup>th</sup>) day following the Closing Date, to increase the size of the Offering by up to an additional 416,700 units (the units in respect of which the Agent's Option is exercised, the "**Option Units**" and, together with the Initial Units, the "**Offered Units**") to be issued and sold at the Offering Price. Each Offered Unit shall consist of one common share in the capital of the Corporation (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire one additional common share in the capital of the Corporation (each a "**Warrant Share**") at a price of \$1.10 per share, subject to adjustments as provided in the Warrant Indenture (as defined herein), at any time prior to 5:00 p.m. (Calgary time) on the date that is two years following the Closing Date (as defined herein) (the "**Warrant Expiry Date**"); provided, however, that in the event the volume-weighted average trading price of the common shares in the capital of the Corporation (the "**Common Shares**") on the TSX Venture Exchange (the "**TSX-V**") exceeds \$1.60 per Common Share for a period of 10 consecutive trading days following the Closing Date, the Corporation may, at its option, accelerate the Warrant Expiry Date by delivery of a notice (a "**Warrant Acceleration Notice**") to the holders of Warrants and issuing a press release announcing such acceleration (a "**Warrant Acceleration Press Release**"), and, in such case, the Warrant Expiry Date shall be deemed to be the 30<sup>th</sup> day following the later of: (i) the date on which the Warrant Acceleration Notice is sent to the holders of the Warrants; and (ii) the date of issuance of the Warrant Acceleration Press Release.

The Agent understands that the Corporation has filed the Preliminary Prospectus (as defined herein) and intends to file the Prospectus (as defined herein) relating to the sale of the Offered Units (as defined herein) with the Regulatory Authorities (as defined herein) pursuant to the Short Form Prospectus System (as defined herein) in accordance with their requirements in order to qualify the Offered Units for Distribution (as defined herein) in each of the Qualifying Provinces (as defined herein).

Based upon the foregoing and subject to the terms, conditions, representations and warranties contained herein, the Agent hereby agrees to act as, and the Corporation hereby appoints the Agent to act as, its sole and exclusive agent to offer the Offered Units for sale on the Closing Date in the Qualifying Provinces at the Offering Price, and, in connection therewith, hereby grants to the Agent the Agent's Option. The Agent hereby agrees to use its commercially reasonable efforts to secure

subscriptions (for delivery to the Corporation at the Closing Time) for the Offered Units, provided that the Agent shall be under no obligation to purchase any of the Offered Units itself.

The Agent shall be entitled to retain as sub-agents other securities dealers and may receive subscriptions (for delivery to the Corporation at the Closing Time) for Offered Units from other dealers. Any fees payable to such sub-agents shall be for the account of the Agent.

In consideration of the services to be rendered by the Agent in connection herewith the Corporation agrees to pay the Agent, at the Closing Time, a cash commission equal to 6.0% of the aggregate gross proceeds of the Offering. The foregoing commission will be deducted from the aggregate gross proceeds of the sale of the Offered Units and withheld for the account of the Agent. The Corporation further agrees to issue to the Agent at the Closing Time non-transferable broker warrants (the "**Broker Warrants**") entitling the Agent to purchase that number of Common Shares (the "**Broker Warrant Shares**") as is equal to 6.0% of the number of Offered Units sold under the Offering at a price of \$0.90 per Broker Warrant Share for a period of one year from the Closing Date (subject to acceleration on the same terms and conditions as the Warrants).

The services provided by the Agent in connection herewith will not be subject to the Goods and Services Tax provided for in the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided. However, in the event that the Canada Revenue Agency determines that Goods and Services Tax is exigible on the fees payable to the Agent hereunder, the Corporation agrees to pay the amount of such tax forthwith upon request of the Agent.

The terms and conditions of the agreement between the Corporation and the Agent are as set forth below.

## **TERMS AND CONDITIONS**

### **1. Definitions and Interpretation.**

1.1 In this Agreement, unless the context otherwise requires:

"**Agent's Information**" means, in respect of the Prospectuses, any statement or information contained therein relating solely to the Agent or made in reliance upon and in conformity with information furnished to the Corporation by the Agent expressly for inclusion in the Prospectuses;

"**Agreement**", "**hereto**", "**herein**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions mean and refer to, respectively, the agreement between the Corporation and the Agent resulting from the acceptance by the Corporation of the offer made by the Agent by this letter and not to any particular paragraph or other part of this Agreement;

"**Business Day**" means any day of the year other than a Saturday, Sunday or statutory holiday, on which banks are open for business in Winnipeg, Manitoba and Toronto, Ontario;

"**Claims**" has the meaning ascribed thereto in section 12.1;

"**Closing**" means the completion of the issuance and sale by the Corporation of the Offered Units pursuant to this Agreement;

"**Closing Date**" means December 20, 2013 or such other date or dates as the parties hereto may mutually agree upon in writing;

"**Closing Time**" means 6:00 a.m. (Calgary time) on the Closing Date or such other time on the Closing Date as the parties hereto may mutually agree upon;

"**Contract**" has the meaning ascribed thereto in section 6.1(o);

"**Development**" has the meaning ascribed thereto in section 4.4;

"**DiaMedica's Auditor**" means KPMG LLP, auditor of the Corporation;

"**DiaMedica Financial Statements**" means, collectively, the Corporation's:

- (a) audited consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss for the years then ended, together with the notes thereto and the report of DiaMedica's Auditor thereon, and the unaudited condensed consolidated statements of financial position as at September 30, 2013 and 2012 and the condensed consolidated interim statements of loss and comprehensive loss for the three and nine months then ended, together with the notes thereto, incorporated by reference into the Prospectus; and
- (b) any other financial statements of the Corporation that may become incorporated by reference into the Prospectuses;

"**DiaMedica USA**" means DiaMedica USA Inc., a wholly-owned subsidiary of the Corporation formed under the laws of the State of Delaware;

"**Distribution**" means "distribution" or "distribution to the public", as the case may be, as those terms are defined under relevant Securities Laws in the Qualifying Provinces;

"**Distribution Period**" means the period commencing on the date of this Agreement and ending on the earlier of the date on which all of the Offered Units have been sold by the Agent to purchasers pursuant to the Prospectus and the date on which this Agreement is terminated;

"**Engagement Letter**" means the engagement letter dated December 3, 2013 between the Corporation and the Agent relating to the Distribution of the Offered Units, as amended from time to time;

"**IFRS**" means International Financial Reporting Standards, at the relevant time applied on a consistent basis;

"**Indemnified Parties**" and "**Indemnified Party**" have the respective meanings ascribed thereto in section 12.1;

"**Intellectual Property**" means, collectively, all intellectual property rights of whatsoever nature, kind or description including:

- (a) all trade-marks, service marks, trade-mark and service mark registrations, trade-mark and service mark applications, rights under registered user agreements, trade names and other trade-mark and service mark rights;
- (b) all copyrights and applications therefor, including all computer software and rights related thereto;
- (c) all Patent Rights;
- (d) all trade secrets and proprietary and confidential information;
- (e) all industrial designs, design patents, design applications, and registrations thereof and applications therefor;
- (f) all renewals, modifications, developments and extensions of any of the items listed in clauses (a) through (e) above; and
- (g) all patterns, plans, designs, research data, other proprietary know-how, processes, drawings, technology, inventions, formulae, specifications, performance data, quality control information, unpatented blue prints, flow sheets, equipment and parts lists, instructions, manuals, records and procedures, and all licenses, agreements and other contracts and commitments relating to any of the foregoing.

**"Limited-use Version"** has the meaning ascribed to the term "limited-use version" under NI 41-101;

**"Marketing Documents"** means, collectively, all Marketing Materials in either or both the English and French languages (including any Template Version, revised Template Version or Limited-use Version thereof), intended for a potential investor in connection with the Distribution of Offered Units;

**"Marketing Materials"** has the meaning ascribed to the term "marketing materials" under NI 41-101;

**"material change"** has the meaning ascribed thereto under the Securities Laws;

**"material fact"** has the meaning ascribed thereto under the Securities Laws;

**"misrepresentation"** has the meaning ascribed thereto under the Securities Laws;

**"NI 41-101"** means National Instrument 41-101 of the Canadian Securities Administrators as may be amended from time to time or any rule or instrument made in replacement thereof;

**"Offering"** has the meaning ascribed thereto in the first paragraph of this Agreement;

**"Patent Rights"** means all patents and patent applications, including all divisions, continuations, partial continuations, extensions, substitutions, confirmations, registrations, revalidations, additions or reissues of or to any patents or patent applications;

**"Preliminary Prospectus"** means the preliminary short form prospectus of the Corporation dated December 3, 2013 relating to the Distribution of the Offered Units, including (except in respect of the obligation to file or deliver such document or commercial copies thereof) all amendments thereto and all documents incorporated by reference therein from time to time;

**"Prospectus"** means the (final) short form Prospectus of the Corporation relating to the Distribution of the Offered Units, including (except in respect of the obligation to file or deliver such document or commercial copies thereof) all amendments thereto and all documents incorporated by reference therein from time to time;

**"Provide"** in the context of sending or making available Marketing Materials to a potential investor of Offered Units has the meaning ascribed to the term "provide" under Securities Laws, whether in the context of a "road show" (as defined in NI 41-101) or otherwise, and **"Provided"** has like meaning;

**"Prospectuses"** means, collectively, the Preliminary Prospectus and the Prospectus;

**"Public Record"** means all information filed by or on behalf of the Corporation with the Regulatory Authorities, including, when filed, the Prospectuses and any other information filed with any Regulatory Authority in compliance, or intended compliance, with any Securities Laws;

**"Qualifying Provinces"** means, collectively, British Columbia, Alberta, Manitoba and Ontario;

**"Regulatory Authorities"** means, collectively, the applicable securities commissions or similar securities regulatory authorities in each of the Qualifying Provinces;

**"Review Procedures"** means the review system and procedures described under National Instrument 11-102 - Passport System and National Policy 11-202 - Process for Prospectus Reviews in Multiple Jurisdictions;

**"Securities Laws"** means, collectively, all applicable securities laws of the Qualifying Provinces and the respective regulations, rules, instruments, policies and orders thereunder together with all applicable published notices, orders and rulings of the Regulatory Authorities;

**"SEDAR"** means the computer system for the transmission, receipt, acceptance, review and dissemination of documents filed in electronic format known as the System for Electronic Document Analysis and Retrieval;

**"Selling Firms"** shall have the meaning ascribed thereto in section 10.1;

**"Short Form Prospectus System"** means the system described in NI 44-101, as currently in effect;

**"subsidiary"**, with respect to a person, means any entity (whether or not incorporated) of which such person, directly or indirectly, owns or exercises control or direction over at least 50% of the equity interests or voting securities or interests sufficient to elect a majority of the board of directors (or similar body for non-corporate entities), and **"subsidiaries"** means more than one such subsidiary;

**"Supplementary Material"** means, collectively: (i) any amendment or supplement to the Preliminary Prospectus or the Prospectus; (ii) any document incorporated by reference into the Preliminary Prospectus or the Prospectus after the date on which such the Preliminary Prospectus or the Prospectus, as the case may be, is filed; and (iii) any amendment to any document incorporated by reference into the Preliminary Prospectus or the Prospectus after the date on which the Preliminary Prospectus or the Prospectus, as the case may be, is filed;

**"Tax Act"** means the *Income Tax Act* (Canada) and the rules and regulations thereunder, in each case as amended;

**"Template Version"** has the meaning ascribed to the term "template version" under NI 41-101 and includes any revised template version of Marketing Materials as contemplated by NI 41-101;

**"to the best of the knowledge, information and belief of"** means (unless otherwise expressly stated) a statement of the declarant's actual knowledge of the facts or circumstances to which such phrase relates, after having made reasonable due inquiries and investigations in connection with such facts and circumstances;

**"Transfer Agent"** means CST Trust Company at its principal office in Calgary, Alberta;

**"United States"** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia, and **"U.S."** means the United States;

**"U.S. Securities Act"** means the United States Securities Act of 1933, as amended; and

**"Warrant Indenture"** means the indenture to be entered into between the Corporation and the Transfer Agent providing for the creation of the Warrants and governing the terms thereof.

1.2 Unless otherwise stated, any reference in this Agreement to any section, paragraph or schedule shall refer to a section, paragraph or schedule of this Agreement.

1.3 Words importing the singular number only shall include the plural and *vice versa*, and words importing the use of any gender shall include all genders.

## 2. **Qualification and Offering for Sale.**

### 2.1

- (a) The Corporation shall, as soon as possible and in any event not later than the times and dates set forth below in this section 2.1, fulfill, to the satisfaction of the Agent and its counsel, acting reasonably, all legal requirements to be fulfilled by the Corporation to qualify the Offered Units for Distribution in the Qualifying Provinces by or through the Agent and other investment dealers or brokers registered in the Qualifying Provinces. Without limiting the generality of the foregoing, these legal requirements include the filing of the Prospectus and other related documents and the obtaining of appropriate decision documents and receipts therefor, advising the Agent and its counsel that such receipts have been obtained and responding to any matter raised by any Regulatory Authority. During the Distribution Period, the Corporation shall promptly take or cause

to be taken all additional steps and proceedings that from time to time may be required under the applicable laws of each of the Qualifying Provinces to continue to qualify the Offered Units for Distribution therein.

- (b) The Corporation has elected and shall comply in all respects with the Review Procedures and has advised the Agent that the Ontario Securities Commission is the principal regulator under the Review Procedures.
  - (c) The Corporation represents and warrants that it is eligible to use the Short Form Prospectus System in each of the Qualifying Provinces and has fulfilled all requirements to be fulfilled by the Corporation, including the filing of the documents, other than the Prospectus, and all other continuous disclosure materials required to be filed pursuant to Securities Laws to enable the Offered Units to be offered for sale and sold to the public in all Qualifying Provinces by registrants who have complied with the relevant provisions of Securities Laws.
  - (d) The Corporation has prepared and filed the Preliminary Prospectus and related documents, and has obtained a receipt for the Preliminary Prospectus under the Review Procedures from or on behalf of each of the Regulatory Authorities dated December 4, 2013.
  - (e) The Corporation shall prepare and file the Prospectus and related documents and shall obtain a receipt for the Prospectus under the Review Procedures from or on behalf of each of the Regulatory Authorities no later than December 13, 2013.
  - (f) The parties acknowledge that the Offered Units have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States except pursuant to exemptions from the registration requirements of the U.S. Securities Act and the applicable laws of any applicable state of the United States.
- 2.2 The Corporation shall cooperate in all respects with the Agent to allow it to participate fully in the preparation of the documentation required for the Distribution of the Offered Units and shall allow the Agent and its advisors and representatives to conduct all "due diligence" investigations which it may reasonably require to fulfill its obligations as Agent and to enable the Agent to sign any certificate required to be signed by the Agent in such documentation, including without limitation, the holding of "due diligence" meetings with officials of the Corporation, their outside counsel, independent consultants and DiaMedica's Auditor.
- 2.3 The Corporation shall prepare and approve in writing any Marketing Documents reasonably proposed by the Agent to be Provided to any potential investor of Offered Units, such Marketing Documents to comply with Securities Laws and to be acceptable in form and substance to the Agent and Agent's counsel, acting reasonably, and approved in writing on behalf of the Agent as contemplated by Securities Laws. If required by Securities Laws, the Corporation shall file a Template Version of such Marketing Documents on SEDAR on or before the day that the Marketing Documents are first Provided to any potential investor of Offered Units. Any comparables (as defined in NI 41-101) shall be removed from the Template Version in accordance with NI 41-101 prior to filing on SEDAR. The Corporation and the Agent covenant and agree not to Provide any potential investor of Offered Units with any Marketing Materials

except for Marketing Documents approved in writing as contemplated by this section 2.3 and Limited-use Versions thereof.

**3. Deliveries of Prospectus and Related Documents.**

3.1 The Corporation shall deliver or cause to be delivered to the Agent the documents set out below at the respective times indicated:

- (a) as soon as it is available, and in any event no later than the time of filing thereof with any of the Regulatory Authorities, a copy of the Prospectus, signed as required by the laws of the Qualifying Provinces;
- (b) as soon as they are available, and in any event no later than the time of filing thereof with any of the Regulatory Authorities, copies of any Supplementary Material, signed as required by the laws of the Qualifying Provinces;
- (c) if not previously delivered, copies of any documents incorporated by reference into the Prospectuses at the time of the delivery of the Prospectuses (except to the extent such documents are then available on SEDAR);
- (d) at the time of delivery to the Agent of the Prospectus pursuant to section 3.1(a), a comfort letter addressed to the Agent from DiaMedica's Auditor dated the date of the Prospectus, satisfactory in form and substance to the Agent and its counsel, acting reasonably, with respect to the financial and accounting information and other numerical data contained in or incorporated by reference into the Prospectus, which comfort letter shall be based on a review by DiaMedica's Auditor having a cut-off date not more than two Business Days prior to the date of the comfort letter and shall be in addition to any comfort letter which must be filed with the Regulatory Authorities pursuant to the Securities Laws; and
- (e) as soon as it is available, and in any event, no later than the time of the filing of the Prospectus, a letter from the TSX-V advising the Corporation that conditional approval for the listing of up to 3,194,700 Unit Shares, up to 1,597,350 Warrant Shares and up to 196,682 Broker Warrant Shares has been granted.

3.2 Comfort letters similar to the foregoing shall be provided to the Agent with respect to any Supplementary Material filed at the time the same is presented to the Agent for its signature or, if the Agent's signature is not required, at the time the same is filed. All such comfort letters shall be in form and substance satisfactory to the Agent and its counsel, acting reasonably.

**4. Representations Relating to the Prospectuses and Other Deliveries.**

4.1 The filing by the Corporation of the Preliminary Prospectus with the Regulatory Authorities constitutes, and the filing of the Prospectus and any Supplementary Material with the Regulatory Authorities shall constitute, a representation and warranty of the Corporation to the Agent that the information and statements (except any information and statements which constitute Agent's Information) contained in the Preliminary Prospectus or Prospectus, as the case may be, at the time of the filing thereof and at the time of the filing of any Supplementary



Material, are true and correct in all material respects and contain no misrepresentation, and that the Preliminary Prospectus (other than information permitted to be omitted therefrom) and the Prospectus, as the case may be, constitutes full, true and plain disclosure of all material facts relating to the Corporation and the Offered Units, that no fact or information has been omitted therefrom which is required to be stated therein under the Securities Laws or which is necessary to make the statements or information therein not misleading in light of the circumstances in which they were made and that such documents contain in all material respects the disclosure required by, and fully comply and conform in all material respects to the requirements of, the Securities Laws.

- 4.2 The delivery by the Corporation to the Agent of any marketing material used in connection with the Offering shall constitute a representation and warranty of the Corporation to the Agent that, at the respective times of delivery of any such marketing material, the information and statements contained therein (except any information and statements which constitute Agent's Information) are true and correct in all material respects and contain no misrepresentation.
- 4.3 The Corporation consents to the Agent's use of the Preliminary Prospectus, the Prospectus and any Supplementary Material, as well as any Marketing Document delivered by the Corporation to the Agent, in connection with the Distribution of the Offered Units in compliance with the provisions of this Agreement.
- 4.4 During the Distribution Period, the Corporation will promptly notify the Agent in writing of the full particulars of any of the following (each, a "**Development**"):
- (a) any change, occurrence or development (whether actual, anticipated, contemplated or threatened) in or affecting the business, financial condition, affairs, assets, liabilities (contingent or otherwise), operations, revenue, control or capital of the Corporation and its subsidiaries, taken as a whole;
  - (b) any change, occurrence or development (whether actual, anticipated, contemplated or threatened) in any matter contained or referred to in the Preliminary Prospectus, the Prospectus or any Marketing Document; or
  - (c) any fact or matter which has arisen or has been discovered and would have been required to have been stated in the Preliminary Prospectus, the Prospectus or any Marketing Document had the fact arisen or been discovered on or prior to the filing of the Preliminary Prospectus, the Prospectus or any Marketing Document as the case may be;

which Development, in any such case, is, or may be, of such a nature as to render the Preliminary Prospectus, the Prospectus or any Marketing Document untrue, false or misleading in any material respect or which would result in the Preliminary Prospectus, the Prospectus or any Marketing Document containing a misrepresentation or which might reasonably result in the Preliminary Prospectus, the Prospectus or any Marketing Document not complying with Securities Laws or which Development might reasonably be expected to have a significant effect on the market price or value of the Common Shares.

- 4.5 In any case described in section 4.4, the Corporation shall promptly, and in any event within any applicable time limitation, comply, to the satisfaction of the Agent and its counsel, acting reasonably, with all applicable filing and other requirements (including the preparation and filing of Supplementary Material) arising as a result of a Development under the Securities Laws of the Qualifying Provinces and the rules of the TSX-V necessary to continue to qualify the Offered Units for Distribution in the Qualifying Provinces.
- 4.6 If during the Distribution Period there is any change in any Securities Laws or other laws which results in any requirement to file Supplementary Material, then the Corporation shall prepare and file, as soon as possible, to the satisfaction of Agent and its counsel, acting reasonably, such Supplementary Material with the appropriate Regulatory Authority in each jurisdiction where such filing is required.
- 4.7 The Corporation shall not file any Supplementary Material without first obtaining the written approval of the Agent thereto (to be evidenced by its signature thereon, if required), which approval shall not be unreasonably withheld, and consulting with the Agent and its counsel as to the form and content thereof.
- 4.8 As soon as practicable and in any event prior to making any filing referred to in sections 4.5 and 4.6, the Corporation shall in good faith discuss with the Agent any change, occurrence, development or circumstance (whether actual, anticipated, contemplated or threatened) which is of such a nature that there may be reasonable doubt whether written notice need be given to the Agent under the provisions of section 4.4.
- 5. Commercial Copies.**
- 5.1 The Corporation shall, as soon as possible, but in any event within 36 hours after the filing of any Supplementary Material relating to or incorporated by reference into the Preliminary Prospectus, cause to be delivered to the Agent without charge commercial copies of such Supplementary Material, in such numbers and in such cities as the Agent may reasonably request by oral instructions given to the Corporation or the printer not later than 24 hours after the filing of any Supplementary Material, as the case may be.
- 5.2 The Corporation shall, as soon as possible but in any event not later than 1:00 p.m. (Calgary time) on the Business Day immediately following the day on which the Prospectus is filed with the Regulatory Authorities and within 36 hours after the filing of any Supplementary Material related to or incorporated by reference into the Prospectus, cause to be delivered to the Agent without charge commercial copies of the Prospectus or such Supplementary Material, as the case may be, in such numbers and in such cities as the Agent may reasonably request by oral or written instructions given to the Corporation or the printer not later than 5:00 p.m. (Calgary time) on the day on which the Prospectus is filed with the Regulatory Authorities and not later than 24 hours after filing of any Supplementary Material, as the case may be.
- 5.3 The Corporation shall cause to be provided to the Agent such number of copies of any Supplementary Material or other documents incorporated by reference into the Preliminary Prospectus or the Prospectus as the Agent may reasonably request from time to time for use in connection with the Distribution of the Offered Units.

## 6. Representations, Warranties and Covenants.

6.1 The Corporation represents and warrants to, and covenants with, the Agent (and acknowledges that the Agent is relying on such representations, warranties and covenants) as set forth below.

(a) Status.

- (i) Status of Corporation. The Corporation is a corporation duly incorporated, organized and subsisting under the laws of the Province of Manitoba and has all requisite power, capacity and authority to own its properties and assets and to carry on its business as presently conducted and described in the Prospectuses and to enter into and deliver this Agreement, the Warrants, the Broker Warrants and the Warrant Indenture and to perform its obligations hereunder and thereunder.
- (ii) Status of DiaMedica USA. DiaMedica USA is a corporation duly incorporated, organized and subsisting under the laws of the State of Delaware and has all requisite power, capacity and authority to own its properties and assets and to carry on its business as presently conducted and described in the Prospectuses.
- (iii) Status of Subsidiaries. Other than DiaMedica USA, the Corporation has no subsidiaries and is not affiliated with any other body corporate and has no investment in any person which is material to the business and affairs of the Corporation.
- (iv) Extra-Provincial Registration. The Corporation is qualified to carry on business as an extra-provincial corporation under the laws of each jurisdiction, other than the Province of Manitoba, in which it carries on business.

(b) Authority of the Corporation. All necessary corporate action has been taken by the Corporation to authorize the execution and delivery by the Corporation of this Agreement, the Warrants, the Broker Warrants and the Warrant Indenture and the performance by the Corporation of its obligations hereunder and thereunder, and this Agreement has been duly executed and delivered and constitutes a valid and legally binding obligation of the Corporation, enforceable against it in accordance with its terms, and the Warrants, the Broker Warrants and the Warrant Indenture will have been duly authorized, executed and delivered by the Corporation at the Closing Time and will constitute at the Closing Time valid and legally binding obligations of the Corporation enforceable against it in accordance with their respective terms.

(c) Prospectuses. The Corporation had, has and will have all requisite power, capacity and authority to execute and deliver the Prospectuses and any Supplementary Material and to file such documents with the Regulatory Authorities, and all necessary action has been taken by the Corporation to authorize the execution and delivery of the Preliminary Prospectus and any Supplementary Material related to or incorporated by reference therein and the filing of such documents with the Regulatory Authorities. Prior to the filing of the Prospectus, all necessary action will have been taken by the Corporation to authorize the execution and delivery of the Prospectus and any

Supplementary Material related to or incorporated by reference therein and the filing of such documents with the Regulatory Authorities.

- (d) DiaMedica Financial Statements. The DiaMedica Financial Statements have been prepared in accordance with IFRS and Securities Laws and are, as at their respective dates, complete and correct in all material respects and present fairly, in all material respects, the results of operations, cash flows, assets, liabilities and financial position of the Corporation and its subsidiaries taken as a whole for the periods ended on and as at the dates indicated.
- (e) Other Liabilities. There are no contingent liabilities affecting the Corporation which are material to the Corporation other than as described in the DiaMedica Financial Statements.
- (f) Internal Accounting Controls. The Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded amount for assets is compared with the current values of such assets at reasonable intervals and appropriate action is taken with respect to any differences; (v) material information relating to each of the Corporation and its subsidiaries is made known to those within the entity responsible for the preparation of the financial statements during the period in which the financial statements have been prepared and such material information is disclosed to the public within the time periods required by applicable laws; and (vi) all significant deficiencies and material weaknesses in the design or operation of such internal controls that could adversely affect the Corporation's or its subsidiaries' ability to disclose to the public information required to be disclosed by them in accordance with applicable law and all fraud, whether or not material, that involves management or employees that have a significant role in the Corporation's or its subsidiaries' internal controls have been disclosed to the Corporation's audit committee.
- (g) No Material Change in the Corporation. Other than described in the Public Record, since December 31, 2012, there has not been any material change (actual, anticipated, proposed or prospective, whether financial or otherwise) in the business, affairs, financial condition, assets or liabilities (absolute, accrued, contingent or otherwise), or capital of the Corporation and its subsidiaries and no event has occurred or circumstance exists which could reasonably be expected to result in such a material change and the Corporation and its subsidiaries have conducted their business and affairs in the normal course.
- (h) Capital of the Corporation. The authorized capital of the Corporation consists only of an unlimited number of Common Shares, of which, as at the date hereof 55,765,685 Common Shares are issued and outstanding as fully paid and non-assessable.

- (i) Transfer Agent. The Transfer Agent has been duly appointed as the registrar and transfer agent in respect of the Common Shares.
- (j) Warrant Agent. At or prior to the Closing Time, the Transfer Agent will have been duly appointed as warrant agent and as registrar and transfer agent for the Warrants.
- (k) Exchange Approval. The issued and outstanding Common Shares of the Corporation are listed and posted for trading on the TSX-V and the Corporation is in compliance in all material respects with the by-laws, policies, rules and regulations of the TSX-V and the Corporation shall have received prior to filing the Prospectus the conditional approval of the TSX-V to have up to 3,194,700 Unit Shares, up to 1,597,350 Warrant Shares and up to 191,682 Broker Warrant Shares listed and posted for trading on the TSX-V.
- (l) Securities Laws Consents. Under the Securities Laws, no consent, approval, authorization, order, filing, registration or qualification of or with any court, governmental agency or body or regulatory authority is required (except such as shall have been made or obtained at or before the Closing Time) for the execution, delivery and performance by the Corporation of this Agreement, the consummation by the Corporation of the transactions contemplated herein and the execution and delivery of the certificates representing the Unit Shares, Warrants and Broker Warrants (other than the filing of reports required under the Securities Laws within the prescribed time periods and the filing of documentation with the TSX-V, which documents shall be filed as soon as practicable after the Closing Date and, in any event, within 10 Business Days of the Closing Date, or within such other deadline imposed by the Securities Laws or the TSX-V).
- (m) Issuance of Securities by the Corporation.
  - (i) At the Closing Time, the Unit Shares forming part of the Offered Units, upon receipt by the Corporation of payment therefor, will be duly and validly issued as fully paid and non-assessable Common Shares.
  - (ii) At the Closing Time, the Warrants forming part of the Offered Units will each be a valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.
  - (iii) At the Closing Time, the Warrant Shares will be duly and validly allotted and reserved for issuance and, upon due exercise of the Warrants and receipt by the Corporation of payment therefor, the Warrant Shares will be issued as fully paid and non-assessable Common Shares.
  - (iv) At the Closing Time, the Broker Warrants will each be a valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.
  - (v) At the Closing Time, the Broker Warrant Shares will be duly and validly allotted and reserved for issuance and, upon due exercise of the Broker Warrants and

receipt by the Corporation of payment therefor, the Broker Warrant Shares will be issued as fully paid and non-assessable Common Shares.

- (vi) At the Closing Time, the forms of the definitive certificates representing the Broker Warrants will have been duly authorized by the Corporation and will comply with the terms and conditions of the constating documents and by-laws of the Corporation and with all legal requirements (including all applicable requirements of the TSX-V) relating thereto.
  
- (n) Convertible Securities. There are no outstanding securities convertible or exchangeable into any securities or ownership interests of the Corporation or any of its subsidiaries, and there is no outstanding agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right for the purchase of any unissued securities of the Corporation or any of its subsidiaries except that (i) 7,000,000 Common Shares are reserved for issuance upon the exercise of stock options under the Corporation's stock option plan, (ii) 2,000,000 Common Shares are reserved for issuance under the Corporation's deferred stock unit plan, (iii) 3,602,087 Common Shares are reserved for issuance under the Corporation's outstanding warrants and (iv) 342,857 Common Shares are reserved for issuance under the Corporation's outstanding broker warrants.
  
- (o) No Defaults. The execution and delivery of this Agreement, the Warrant Indenture, the Warrants and the Broker Warrants, the fulfilment of the terms hereof and thereof by the Corporation and the issuance, sale and delivery of the Offered Units, the Broker Warrants, the Warrant Shares and the Broker Warrant Shares by the Corporation as contemplated by this Agreement, the Warrant Indenture and the Broker Warrants, respectively, do not and will not:
  - (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, exchange, Regulatory Authority or other regulatory commission or agency or third party, except those that are required under Securities Laws or applicable exchange regulations, all of which have been obtained (or will be obtained prior to the Closing Time); or
  - (ii) result in a breach of or default under, or create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, or conflict with, or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Corporation or any of its subsidiaries under:
    - (A) any of the provisions of the constating documents or by-laws of the Corporation or any of its subsidiaries or any resolutions of the securityholders or directors of the Corporation or any of its subsidiaries or any committee thereof;
    - (B) any statute, rule, regulation or law applicable to the Corporation or any of its subsidiaries including, without limitation, the Securities Laws, or any judgment, order, decree or decision of any governmental or

regulatory body, agency, commission, tribunal, court or exchange having jurisdiction over the Corporation or any of its subsidiaries; or

- (C) any of the terms or provisions of any contract, agreement, indenture, mortgage, hypothec, deed of trust, loan agreement, note, lease, license, franchise agreement, authorization, permit, certificate or other agreement or document to which the Corporation or any of its subsidiaries is a party or by which the Corporation or any of its subsidiaries is bound, or to which the assets or business of the Corporation or any of its subsidiaries is subject (each, a "**Contract**"),

which individually or in the aggregate would: (1) have or result in a material adverse effect on the business, financial condition, properties, assets, liabilities (contingent or otherwise), results of operations or prospects of the Corporation and its subsidiaries, on a consolidated basis, or impair the sale of the Offered Units or the consummation of the transactions contemplated hereby or by the Prospectuses; (2) materially impair the Corporation's ability to perform the obligations contemplated in this Agreement or the Prospectuses; or (3) materially affect the consummation of the transactions contemplated in this Agreement or the Prospectuses.

- (p) Permits. Each of the Corporation and its subsidiaries holds all permits, by-laws, licences, waivers, exemptions, consents, certificates, registrations, authorizations, approvals, rights and entitlements and the like which are required from any governmental or regulatory authority or any other person necessary to conduct its business and activities as currently conducted the lack of which would have a material adverse effect on the Corporation and its subsidiaries, on a consolidated basis, and all such permits, by-laws, licences, waivers, exemptions, consents, certificates, registrations, authorizations, approvals, rights and entitlements and the like are in full force and effect in all material respects with no default thereunder other than that which would, individually or in the aggregate, not have a material adverse effect on the Corporation and its subsidiaries, on a consolidated basis.
- (q) Compliance with Laws. To the best of the knowledge, information and belief of the Corporation, the Corporation and its subsidiaries has conducted and is conducting its activities or business in compliance with all applicable laws, rules and regulations, including without limitation those of each country, province and municipality in which it carries on business or conducts its activities, other than that which would, individually or in the aggregate, not have a material adverse effect on the Corporation or its subsidiaries taken as a whole.
- (r) Legislation. The Corporation is not aware of any legislation, or proposed legislation published by a legislative body, which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of the Corporation and its subsidiaries taken as a whole.

- (s) Offered Units. The attributes of the Offered Units and the Broker Warrants will conform in all material respects with the descriptions thereof to be contained in the Prospectuses.
  
- (t) Intellectual Property of the Corporation.
  - (i) The Intellectual Property of the Corporation and its subsidiaries, including, without limitation, the Intellectual Property described or to be described in the Prospectuses as being owned or held by the Corporation or its subsidiaries: (i) is validly owned by or licensed to the Corporation; (ii) is not the subject of any oppositions, challenges or other litigation, pending or, to the knowledge of the Corporation, threatened; (iii) in the case of patents owned or held by the Corporation, has been assigned to the Corporation or has been validly and effectively obtained by or on behalf of the Corporation, and has been validly registered by or on behalf of the Corporation in all jurisdictions in which it is advisable, in the Corporation's opinion, acting reasonably, to be registered; and (iv) in the case of trade-marks owned or held by the Corporation, has been validly registered by or on behalf of the Corporation in all jurisdictions in which it is advisable, in the Corporation's opinion, acting reasonably, to be registered. Furthermore, the Corporation and its subsidiaries, and the products and services associated with the business of the Corporation and its subsidiaries, have not been the subject of any litigation or infringement action, pending or, to the knowledge of the Corporation, threatened, relating to the intellectual property of other parties.
  
  - (ii) The Corporation (or parties under contractual obligation to the Corporation) now holds or is now in the process of obtaining, and as of the Closing Date will hold or will be in the process of obtaining, all licenses, certificates, approvals and permits from all provincial, federal, state, United States, foreign and other regulatory authorities, including but not limited to the United States Food and Drug Administration (the "FDA"), Health Canada ("HC"), the Medicines and Healthcare Products Regulatory Agency ("MHRA") the European Medicines Agency (the "EMA") and any foreign regulatory authorities performing functions similar to those performed by the FDA, HC, MHRA and EMA that are material to the conduct of the business of the Corporation and its subsidiaries (as such business is currently conducted), all of which that are so held are valid and in full force and effect (and there is no proceeding pending or, to the knowledge of the Corporation, threatened which may cause any such license, certificate, approval or permit to be withdrawn, cancelled, suspended or not renewed). Neither the Corporation nor any of its subsidiaries is in violation in any material respect of any law, order, rule, regulation, writ, injunction or decree of any court or governmental agency or body, applicable to the investigation of new drugs in humans and animals, including, but not limited to, those promulgated by the FDA, HC, MHRA or EMA.
  
  - (iii) The clinical studies and tests (including, but without limitation the human and animal clinical trials) conducted by the Corporation or any of its subsidiaries, or in which the Corporation or any of its subsidiaries has participated, and any such



studies and tests that were conducted on behalf of the Corporation or any of its subsidiaries were and, if still pending, are being conducted in all material respects: (i) in accordance with good clinical practice ("GCP") and the protocols, procedures and controls for such studies and tests; and (ii) in accordance with all applicable laws, rules and regulations. The descriptions of the results of such studies and tests contained in the publicly filed documents of the Corporation (including for purposes of this Agreement, the Prospectuses) are, at the time of the filing thereof, accurate and complete in all material respects and the Corporation has no knowledge of any other studies or tests, the results of which call into question such results. Neither the Corporation nor any of its subsidiaries has received any notices or correspondence from the FDA, HC, MHRA or EMA, or any other regulatory or governmental agency, requiring the termination, suspension or modification of any studies or tests conducted by, or on behalf of, the Corporation or any of its subsidiaries, or in which the Corporation or any of its subsidiaries has participated, that are described in the publicly filed documents of the Corporation, or the results of which are referred to in the publicly filed documents of the Corporation, that would have reasonably required the Corporation to change the descriptions thereof in such publicly filed documents of the Corporation if any such notice or correspondence had been received by the Corporation prior to the filing of such documents.

- (u) Insurance. The Corporation and its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged. Neither the Corporation nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and the Corporation has no reason to believe that the Corporation and its subsidiaries will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business, in either case, at reasonable cost.
- (v) Future Acquisitions, Contingent Obligations. Neither the Corporation nor any of its subsidiaries has entered into any agreement or understanding to acquire any securities in any other corporation or entity or to acquire or lease any other business operations or properties which would be material to the business and operations of the Corporation and its subsidiaries taken as a whole or which would require the Corporation or any of its subsidiaries to make expenditures or incur obligations in any material amount.
- (w) No Claims. There is no claim, action, suit, proceeding or investigation (whether or not purportedly on behalf of the Corporation or any of its subsidiaries commenced or, to the knowledge of the Corporation, threatened against or affecting the Corporation or any of its subsidiaries or any of their properties, or to which the Corporation or any of its subsidiaries is a party or to which any property of the Corporation or any of its subsidiaries is subject, at law or in equity, or before or by any federal, provincial, state, municipal or other governmental or regulatory department, commission, board or agency, domestic or foreign, which would, or could reasonably be expected to, individually or in aggregate, result in a material adverse effect on the Corporation and

its subsidiaries, taken as a whole or which questions the validity of any action taken or to be taken by the Corporation pursuant to or in connection with, this Agreement, the Warrants, the Broker Warrants or the Warrant Indenture or any other transaction or agreement contemplated by the Prospectuses.

- (x) Taxes. The Corporation and its subsidiaries have on a timely basis filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments and re-assessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by them or which are claimed by any governmental authority to be due and owing, other than such defaults as to filing or payment which would, individually or in the aggregate, not have a material adverse effect on the Corporation and its subsidiaries taken as a whole and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required, and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any of its subsidiaries and there are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of the Corporation, contemplated or threatened against the Corporation or any of its subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority, other than such actions, suits, proceedings, investigations or claims which would, individually or in the aggregate, not have a material adverse effect on the Corporation and its subsidiaries taken as a whole.
- (y) Environmental Representations. The Corporation and its subsidiaries are in compliance in all material respects with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants.
- (z) No Defaults. No default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach by the Corporation or any of its subsidiaries of any obligation, agreement, covenant or condition contained in any Contract or any of the constating documents or by-laws of the Corporation or any of its subsidiaries, other than that which would, individually or in the aggregate, not have a material adverse effect on the Corporation and its subsidiaries taken as a whole.
- (aa) No Cease Trade Orders. No order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Common Shares or any other securities of the Corporation has been issued or made by any Regulatory Authority or exchange or any other regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Corporation, are contemplated or threatened by any such authority or under any Securities Laws.

- (bb) No Labour Disputes. No labour dispute with the employees of the Corporation exists or, to the best of the knowledge, information and belief of the Corporation, is imminent.
- (cc) Reporting Issuer and Compliance with Securities Laws. The Corporation is a reporting issuer or the equivalent thereof in each Qualifying Province where such concept exists and is not in material default of any requirement under the Securities Laws.
- (dd) Public Record. The information and statements set forth in the Public Record were true, correct and complete and did not contain any misrepresentation as of the date on which such information or statement was filed, the Corporation has not filed any confidential material change reports still maintained on a confidential basis and there are no undisclosed material facts with respect to the Corporation and its business and affairs.
- (ee) Forward-Looking Information. The Corporation has, or shall have had, as the case may be, a reasonable basis for disclosing all forward-looking information in the Public Record (including the Prospectuses) and is not, as at the date hereof, required to update any such forward-looking information pursuant to National Instrument 51-102 – Continuous Disclosure Obligations.
- (ff) Voting Agreements. The Corporation is not a party to any agreement which in any manner affects the voting or control of any of the securities of the Corporation.
- (gg) No Non-Arm's Length Transactions. Other than as described in the Public Record or the Prospectuses, none of the directors or officers of the Corporation or any of its subsidiaries, and no known associate or affiliate of any of the foregoing persons (as such terms are defined in the *Securities Act* (Alberta)), has had any material interest, direct or indirect, in any material transaction within the previous two years or any proposed material transaction which, as the case may be, materially affected, is material to or will materially affect the Corporation and its subsidiaries taken as a whole.
- (hh) No Off-Balance Sheet Transactions. There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Corporation or any of its subsidiaries with unconsolidated entities or other persons.
- (ii) No Reportable Events. There has not been any "reportable event" (within the meaning of National Instrument 51-102 – Continuous Disclosure Obligations) with the present or any former auditor of the Corporation.
- (jj) Civil Liability for Secondary Market Disclosure. To the best of the knowledge, information and belief of the Corporation, there are no circumstances currently existing under which liability is, or could reasonably be expected to be, incurred under Part 17.01 – Civil Liability for Secondary Market Disclosure of the *Securities Act* (Alberta), or equivalent legislation in other Qualifying Provinces.
- (kk) No Finder's Fee. Except as provided herein, there is no person, firm or corporation acting for the Corporation entitled to any commission, brokerage or finder's fee

payable by on or behalf of the Corporation in connection with this Agreement or any of the transactions contemplated hereby and in the event any person, firm or corporation acting or purporting to be acting for the Corporation (other than a Selling Firm) establishes a claim for any commission, brokerage or finder's fee from the Agent in connection with this Agreement or any of the transactions contemplated hereby, the Corporation covenants to indemnify and hold harmless the Agent with respect thereto and with respect to all costs reasonably incurred in the defence thereof.

- (ll) Guarantees. Other than as described in the Public Record, neither the Corporation nor any of its subsidiaries is a party to or bound by any agreement of guarantee, indemnification or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person.
- (mm) No Loans. Neither the Corporation nor any of its subsidiaries is a party to any material loan, bond, debenture, promissory note or other instrument evidencing indebtedness for borrowed money with, or has any material loans or other indebtedness outstanding which has been made to or from, any of its shareholders, officers, directors or employees, past or present, or any person not dealing at arm's length with them.
- (nn) Market Stabilization. The Corporation has not taken nor will take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Shares.
- (oo) Minute Books. The minute books and corporate records of the Corporation and its subsidiaries made available to Dentons Canada LLP, legal counsel to the Agent, are complete and correct in all material respects and contain the minutes of all meetings and all the resolutions of directors (including committees of directors) and shareholders thereof.
- (pp) Warrant Shares. The Corporation shall ensure that at all times prior to the expiry of the Warrants, sufficient Common Shares are allotted and reserved for issuance upon the due exercise of the Warrants and, upon issuance of the Warrant Shares in accordance with the terms of the Warrant Indenture, such shares shall be issued as fully paid and non-assessable Common Shares.
- (qq) Broker Warrant Shares. The Corporation shall ensure that at all times prior to the expiry of the Broker Warrants, sufficient Common Shares are allotted and reserved for issuance upon the due exercise of the Broker Warrants and, upon issuance of the Broker Warrant Shares in accordance with the terms of the Broker Warrants, such shares shall be issued as fully paid and non-assessable Common Shares.
- (rr) Use of Proceeds. The Corporation will use commercially reasonable efforts to use the proceeds from the issue and sale of the Offered Units for the purposes described in the Prospectus.

## **7. Closing and Conditions of Closing of Offered Units.**

- 7.1 The Closing of the purchase and sale of the Offered Units herein provided for shall be completed at the offices of Fillmore Riley LLP in Winnipeg, Manitoba at the Closing Time.

7.2 The obligations of the Agent hereunder shall be conditional upon:

- (a) the Corporation having complied in all material respects with all covenants and satisfied all terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Closing Time;
- (b) the representations and warranties of the Corporation contained herein including those arising by delivery of documents hereunder being true and correct in all material respects as of the Closing Time with the same force and effect as if made at and as of the Closing Time except for such representations and warranties which are made as of a specific date other than the Closing Date;
- (c) the Agent receiving, at or before the Closing Time:
  - (i) one or more certificates representing in the aggregate the total number of Unit Shares forming part of the Offered Units sold registered in such name or names as the Agent may direct the Corporation not less than 48 hours prior to the Closing Time;
  - (ii) one or more certificates representing in the aggregate the total number of Warrants forming part of the Offered Units sold registered in such name or names as the Agent may direct the Corporation not less than 48 hours prior to the Closing Time;
  - (iii) in the alternative to section 7.2(c)(i) and 7.2(c)(ii), evidence at the Closing Time that electronic positions have been entered by the Transfer Agent and CDS in such name or names as the Agent may direct the Corporation;
  - (iv) one or more certificates representing in the aggregate the total number of Broker Warrants provided for herein registered in such name or names as the Agent may direct the Corporation not less than 48 hours prior to the Closing Time;
  - (v) a fully executed Warrant Indenture in form and substance satisfactory to the Agent, acting reasonably;
  - (vi) the requisite legal opinions contemplated by section 8;
  - (vii) a comfort letter from DiaMedica's Auditor dated the Closing Date and addressed to the Agent in form and content satisfactory to the Agent and its counsel, acting reasonably, bringing the information contained in the comfort letter referred to in section 3.1(d) forward to the Closing Time provided that such comfort letter shall be based on a review by DiaMedica's Auditor having a cut-off date not more than two Business Days prior to the Closing Date;
  - (viii) a copy of the conditional approval letter of the TSX-V to have up to 3,194,700 Unit Shares, up to 1,597,350 Warrant Shares, and up to 191,682 Broker Warrant Shares listed and posted for trading on the TSX-V;

- (ix) the certificates contemplated by section 9;
- (x) certificates dated the Closing Date signed by a director or senior officer of the Corporation, in form and content satisfactory to the Agent and counsel to the Agent, acting reasonably, certifying with respect to:
  - (A) the currently effective constating documents and by-laws of the Corporation;
  - (B) the corporate resolutions of the Corporation relevant to the Preliminary Prospectus, the Prospectus, the Distribution of the Offered Units, this Agreement, the Warrants, the Broker Warrants and the Warrant Indenture;
  - (C) the incumbency and signatures of signing persons of authority and officers of the Corporation; and
  - (D) with respect to such other matters as the Agent may reasonably request; and
- (xi) such further documentation from the Corporation as may be contemplated herein or as the Agent or its counsel may reasonably request,

against payment by the Agent of the aggregate purchase price for the Offered Units sold, net of the fees and expenses payable to the Agent pursuant hereto, by delivery of a certified cheque, bank draft or wire or electronic funds transfer in immediately available Canadian dollars payable on a same day basis at par in the City of Winnipeg to the Corporation or as the Corporation may otherwise direct the Agent in writing not less than 24 hours prior to the Closing Time.

## **8. Legal Opinions.**

**8.1** At the Closing Time, the Corporation shall have caused favourable legal opinions dated the Closing Date to be delivered (in sufficient copies for the Agent and its counsel) to the Agent and the Agent's counsel by the Corporation's counsel, Fillmore Riley LLP (who may rely, to the extent appropriate in the circumstances, on the opinions of local counsel (acceptable to them and to counsel for the Agent) as to the qualification of the Offered Units for sale to the public in, and as to other matters governed by the laws of, jurisdictions other than the Province of Manitoba and may rely, to the extent appropriate in the circumstances and solely as to matters of fact not independently established, on certificates or statutory declarations of officers of the Corporation and of public and stock exchange officials) in form and substance acceptable to counsel to the Agent, acting reasonably, substantially to the effect that:

- (a) the Corporation has been incorporated and organized and is validly existing as a corporation under the laws of the jurisdiction of its incorporation;
- (b) the Corporation has the capacity and power to own and lease its properties and assets and to conduct its business as currently conducted and as described in the Prospectus;

- (c) the attributes and characteristics of the Offered Units, the Unit Shares, the Warrants, the Warrant Shares, the Broker Warrants, the Broker Warrant Shares and the Warrant Indenture conform in all material respects with the descriptions thereof in the Prospectus;
- (d) the Corporation is authorized to issue an unlimited number of Common Shares and, other than as disclosed in the Prospectus, as far as such counsel is aware, there are no options, warrants, conversion privileges or other rights or agreements for the purchase of any unissued securities in the Corporation;
- (e) the form of the definitive certificates representing the Unit Shares, Warrants and Broker Warrants have been duly authorized by the Corporation and comply with requirements of the constating documents of the Corporation, Securities Laws and with the requirements of the TSX-V;
- (f) the TSX-V has conditionally approved the listing of (i) 3,194,700 Unit Shares; (ii) 1,597,350 Warrant Shares; and (iii) 191,682 Broker Warrant Shares on the TSX-V;
- (g) the Corporation is a "reporting issuer" in Manitoba and is not included in a list of defaulting reporting issuers maintained by The Manitoba Securities Commission and has a similar status under the Securities Laws of each of the Qualifying Provinces where such a concept exists;
- (h) the Transfer Agent has been duly appointed as the transfer agent and registrar for the Unit Shares, Warrant Shares and Broker Warrant Shares at its principal office in Calgary, Alberta;
- (i) the Transfer Agent has been duly appointed as warrant agent and as registrar and transfer agent for the Warrants at its principal office in Calgary, Alberta;
- (j) the Unit Shares forming part of the Offered Units have been validly created, allotted and issued and are fully paid and non-assessable;
- (k) the Warrant Shares have been conditionally allotted and reserved for issuance upon the due exercise of the Warrants and when issued upon exercise of the Warrants in accordance with the terms and conditions of the Warrants and the Warrant Indenture, will be issued as fully paid and non-assessable Common Shares;
- (l) the Broker Warrant Shares have been conditionally allotted and reserved for issuance upon the due exercise of the Broker Warrants and when issued upon exercise of the Broker Warrants in accordance with the terms and conditions of the Broker Warrants, will be issued as fully paid and non-assessable Common Shares;
- (m) the Corporation has the necessary corporate power and authority to execute the Prospectuses and any Supplementary Material and to file such documents with the Regulatory Authorities and all necessary action has been taken by the Corporation to authorize the execution by it of the Prospectuses and any Supplementary Material and the filing thereof in each of the Qualifying Provinces under Securities Laws;

- (n) the Corporation has the necessary corporate power and authority to execute and deliver this Agreement, the Warrants, the Broker Warrants and the Warrant Indenture and to perform its obligations hereunder and thereunder and to carry out the transactions contemplated hereby and by the Prospectus and this Agreement, the Warrants, the Broker Warrants and the Warrant Indenture have been duly authorized, executed and delivered by the Corporation and are legal, valid and binding obligations of the Corporation and enforceable against the Corporation in accordance with their respective terms (subject to reasonable opinion qualifications);
- (o) the execution and delivery by the Corporation of this Agreement, the Warrants, the Broker Warrants and the Warrant Indenture, the fulfilment of the terms hereof and thereof by the Corporation, and the completion of the transactions contemplated herein and therein and the issuance, sale and delivery of the Offered Units, the Broker Warrants, the Warrant Shares and the Broker Warrant Shares as contemplated by the Prospectus do not and will not result in a breach of or default under, or create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, or conflict with any of the provisions of the constating documents or by-laws of the Corporation or, as far as such counsel is aware, any resolutions of the directors of the Corporation or any committee thereof or any shareholders of the Corporation;
- (p) provided that the Common Shares are listed on a designated stock exchange (as defined in the Tax Act)(which currently includes the TSX-V) on the Closing Date the Common Shares will be qualified investments under the Tax Act, for a trust governed by a registered retirement savings plan, a registered education savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan or a tax free savings account (collectively, "**Deferred Plans**") and provided that the Common Shares are qualified investments for Deferred Plans as described above on the Closing Date, the Warrants will constitute a qualified investment on the Closing Date, within the meaning of the Tax Act, for a Deferred Plan, provided that on the Closing Date neither the Corporation, nor any person with whom the Corporation does not deal with at arm's length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or an holder of, such Deferred Plan;
- (q) all necessary documents have been filed, all necessary proceedings have been taken and all other legal requirements have been fulfilled under the laws of Canada and each of the Qualifying Provinces in order to qualify the Distribution of the Unit Shares and Warrants comprising the Offered Units in each of the Qualifying Provinces through investment dealers registered under applicable legislation of the Qualifying Provinces who have complied with the relevant provisions of such legislation;
- (r) all necessary documents have been filed, all necessary proceedings have been taken and all other legal requirements have been fulfilled under the laws of Canada and each of the Qualifying Provinces in order to qualify the Distribution of the Broker Warrants to the Agent as contemplated by the Prospectus;
- (s) the issue by the Corporation of the Warrant Shares in accordance with the terms and conditions of the Warrants and the Warrant Indenture is exempt from the prospectus



and registration requirements of the Securities Laws and no documents are required to be filed, proceedings taken or approvals, permits, consents, orders or authorizations required to be obtained under the Securities Laws (other than such as have already been filed or obtained) to permit such issue and delivery of the Warrant Shares by the Corporation; and

- (t) the issue by the Corporation of the Broker Warrant Shares in accordance with the terms and conditions of the Broker Warrants is exempt from the prospectus and registration requirements of the Securities Laws and no documents are required to be filed, proceedings taken or approvals, permits, consents, orders or authorizations required to be obtained under the Securities Laws (other than such as have already been filed or obtained) to permit such issue and delivery of the Broker Warrant Shares by the Corporation.
- (u) The first trade in: (a) Warrant Shares acquired upon the exercise of the Warrants in accordance with their terms and the terms of the Warrant Indenture; and (b) Broker Warrant Shares acquired upon the exercise of the Broker Warrants in accordance with their terms, will not, in either case, be deemed to be a distribution within the meaning of the Securities Laws and therefore will not be subject to the prospectus requirements of the Securities Laws, and no filing, proceeding, approval, permit, consent, order or authorization would be required to be made, taken or obtained by the Corporation pursuant to the Securities Laws to permit such trade by or through investment dealers registered under the Securities Laws of the Qualifying Provinces who have complied with the relevant provisions of the Securities Laws and the terms of their registration, or in circumstances in which there is an exemption from the registration requirement under the Securities Laws of the Qualifying Provinces, provided that:
  - (i) the trade is not a "control distribution" (as such term is defined in National Instrument 45-102 - Resale of Securities); and
  - (ii) such first trade is not a transaction or series of transactions involving a purchase and sale or a repurchase and resale in the course of or incidental to a distribution.

## **9. Officers' Certificates.**

- 9.1 The Agent shall have received at the Closing Time, a certificate dated the Closing Date, addressed to the Agent and signed by the Chief Executive Officer and Vice-President, Finance of the Corporation (or two other senior officers of the Corporation acceptable to the Agent), for and on behalf of the Corporation, which certificate shall certify that:
  - (a) the Corporation has complied in all material respects with all covenants and satisfied all terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Closing Time;
  - (b) all conditions to Closing provided for herein, including those set forth in section 7.2, have been satisfied or have been waived by the Agent in writing;

- (c) since the date of the Prospectus or, if applicable, the date of any Supplementary Material relating to or incorporated by reference into the Prospectus, there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise), and no change of any material fact or new material fact, in the business, financial condition, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation and its subsidiaries on a consolidated basis from that disclosed in the Prospectus;
- (d) the representations and warranties of the Corporation contained herein including those arising by delivery of documents hereunder are true and correct in all material respects as of the Closing Time with the same force and effect as if made at and as of the Closing Time except for such representations and warranties which are made as of a specific date other than the Closing Date;
- (e) no order, ruling or determination having the effect of ceasing, suspending or restricting trading in any securities of the Corporation has been issued and no proceedings, investigations or inquiry for such purpose have been commenced or, to the knowledge of the declarants, contemplated or threatened;
- (f) except as disclosed in the Prospectus, if any, there are no actions, suits, proceedings, inquiries, compliance orders or directives commenced or, to the knowledge of the declarants, contemplated or threatened in respect of the transactions contemplated hereunder;
- (g) except as disclosed in the Prospectus, no material default exists, or as a result of the Distribution of the Offered Units, will exist, under any instrument or agreement securing any indebtedness of or otherwise relating to the Corporation and no event which, with the giving of notice, the passage of time or the making of any determination, would constitute an event of default under any such instrument or agreement has occurred and is continuing which would be material to the Corporation and its subsidiaries on a consolidated basis; and
- (h) since the respective dates as of which information is given in the Prospectus no transaction material to the Corporation has been entered into or is pending which is not disclosed therein;

and as to such other matters as the Agent may reasonably request.

## **10. Sales Restrictions.**

- 10.1 The Agent shall offer the Offered Units for sale to the public, directly and through other duly qualified and registered investment dealers and brokers (the Agent, together with such other investment dealers and brokers, are referred to herein as the "**Selling Firms**"), only as permitted by Securities Laws and upon the terms and conditions set forth in the Prospectus and in this Agreement, at an offering price not exceeding the offering price set forth on the cover page of the Prospectus. The Agent will not solicit offers to purchase or sell the Offered Units so as to require registration of the Unit Shares or filing of a prospectus with respect to the Offered Units under the laws of any jurisdiction other than the Qualifying Provinces. For the purposes of this paragraph, the Agent shall be entitled to assume that the Offered Units

are qualified or registered for Distribution by duly qualified and registered investment dealers under the Securities Laws of those Qualifying Provinces where a receipt or similar document for the Prospectus shall have been obtained from the applicable Regulatory Authority (including a decision document under the Review Procedures) following the filing of the Prospectus, unless otherwise notified in writing.

- 10.2 Notwithstanding the foregoing provisions of this section 10, the Agent shall not be liable to the Corporation under this section 10 as a result of the violation by a Selling Firm (other than Selling Firm affiliates of the Agent) under this section 10 if the Agent is not itself in violation.

**11. Market Stabilization.**

- 11.1 The Agent agrees and will require each of the other Selling Firms and their respective affiliates to agree, in connection with the Distribution of the Offered Units, to comply with all Securities Laws. In connection with the Distribution, the Agent and members of the other Selling Firms (if any) may effect transactions which stabilize or maintain the market price of the Common Shares at levels above those which might otherwise prevail in the open market, in compliance with Securities Laws. Those stabilizing transactions, if any, may be discontinued at any time.

**12. Indemnification by the Corporation.**

- 12.1 The Corporation covenants and agrees to fully indemnify and save harmless the Agent, each of its affiliates and each of its directors, officers, shareholders, employees, advisors and agents and each person who controls the Agent (collectively, the "**Indemnified Parties**" and individually an "**Indemnified Party**") from and against any and all losses (other than loss of profit), costs, expenses, claims, demands, actions, complaints, damages, fines, penalties, taxes, interest and liabilities, joint or several, including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the fees and expenses of the Indemnified Parties' counsel on a solicitor and his own client basis that may be incurred in advising with respect to or defending any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or in enforcing this indemnity (collectively, the "**Claims**") to which any Indemnified Party may become subject or otherwise involved or which any Indemnified Party may suffer or incur, in any capacity, insofar as Claims relate to, are caused by, result from, arise out of or are based upon, directly or indirectly, the Offering, the securities offered, issued and sold in connection with the Offering, the engagement or the activities of the Agent under the Engagement Letter or this Agreement, or anything relating to the matters contemplated by the Engagement Letter or this Agreement or any of the foregoing, including without limitation Claims arising out of or based upon the following:

- (a) any breach of, default under or failure to perform or fulfill any representation, warranty or covenant or agreement of the Corporation, in the Engagement Letter or this Agreement or any other document to be delivered pursuant hereto;
- (b) any information or statement (that does not constitute Agent's Information) contained in the Engagement Letter, this Agreement, the Preliminary Prospectus, the Prospectus, or any Marketing Document, or any other material or document filed under any Securities Laws or delivered by or on behalf of the Corporation thereunder or pursuant to this Agreement which at the time and in the light of the circumstances under which

it was made contains or is alleged to contain a misrepresentation or is or is alleged to be untrue, false or misleading;

- (c) any omission or alleged omission to state in the Preliminary Prospectus, the Prospectus or any Marketing Document, or any other material or document filed under any Securities Laws or delivered by or on behalf of the Corporation thereunder or pursuant to the Engagement Letter or this Agreement, any fact or information, other than Agent's Information, whether material or not, required to be stated therein or necessary to make any statement therein not misleading in light of the circumstances under which it was made;
- (d) any order made or any inquiry, investigation or proceeding commenced or threatened by any court, governmental agency or body or regulatory authority, arbitrator, administrative tribunal or stock exchange based upon any actual or alleged untrue statement, omission or misrepresentation (not relating solely to Agent's Information) in the Preliminary Prospectus, the Prospectus or any Marketing Document, or any other material or document filed or delivered by the Corporation under any Securities Laws or pursuant to the Engagement Letter or this Agreement or based upon any failure to comply with Securities Laws (other than any failure or alleged failure to comply solely by the Agent) which prevents or restricts the trading in or the sale or distribution of the Offered Units or the Common Shares or any of them or any other securities of the Corporation in any of the Qualifying Provinces; or
- (e) the non-compliance or alleged non-compliance by the Corporation with any requirements of the Securities Laws, or the by-laws, rules and regulations of the TSX-V, including the Corporation's non-compliance with any requirement to make any document available for inspection.

Notwithstanding the foregoing provisions of this section 12.1, no Indemnified Party who has engaged in any fraud, fraudulent misrepresentation, wilful default or gross negligence, as determined by a court of competent jurisdiction in a final judgment that has become non-appealable, shall be entitled, to the extent that the liabilities, claims, losses, costs, damages or expenses were caused by such activity, to claim indemnification from the Corporation or any person who has been determined by a court of competent jurisdiction in a final non-appealable judgment not to have engaged in such fraud, fraudulent misrepresentation, wilful default or gross negligence and each such party shall reimburse any funds advanced by the Corporation to such party pursuant to this indemnity in respect of such Claims.

- 12.2 If any Claim is asserted against any of the Indemnified Parties, or if any potential Claim contemplated by this section 12 shall come to the knowledge of any Indemnified Party, the Indemnified Party concerned shall notify the Corporation as soon as possible of the nature of such Claim (provided that any failure to so notify shall not affect the Corporation's liability under this section 12 except and only to the extent that the Corporation demonstrates that any failure to so notify in respect to an actual Claim materially prejudiced the defence of such Claim by the Corporation) and the Corporation shall, subject as hereinafter provided, be entitled (but not required) at its expense to assume the defence of any suit brought to enforce such Claim; provided, however, that the defence shall be conducted through legal counsel acceptable to the Indemnified Party, acting reasonably, and that no admission of liability or

settlement of any such Claim may be made by the Corporation or the Indemnified Party without, in each case, the prior written consent of all the affected parties hereto, such consent not to be unreasonably withheld.

- 12.3 In respect of any such Claim, an Indemnified Party shall have the right to retain separate or additional counsel to act on his or her or its behalf and participate in the defence thereof, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless:
- (a) the Corporation does not assume the defence of such suit on behalf of the Indemnified Party within ten Business Days of the Corporation receiving notice of such Claim;
  - (b) the Corporation and the Indemnified Party shall have mutually agreed to the retention of the other counsel; or
  - (c) the named parties to any such Claim (including any added third or interpleaded party) include both the Indemnified Party, on the one hand, and the Corporation, on the other hand, and the Indemnified Party shall have been advised by its counsel that representation of both parties by the same counsel would be inappropriate due to the actual or potential differing interests between them.

In each of cases (a), (b) or (c), the Corporation shall not have the right to assume the defence of such Claim but shall be liable to pay the reasonable fees and expenses of counsel for the Indemnified Party provided that the Corporation shall not, in connection with any one such action or separate but substantially similar related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate law firm (in addition to any local counsel) for all such Indemnified Parties.

- 12.4 If any legal proceedings shall be instituted against the Corporation or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation and, in either case, any Indemnified Party is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Agent hereunder, the Indemnified Parties may employ their own legal counsel and the Corporation shall pay and reimburse the Indemnified Parties for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Parties in connection with such proceedings or investigation and a fee at the normal *per diem* rate for any director, officer or employee of the Agent involved in the preparation for or attendance at such proceedings or investigation.
- 12.5 With respect to any of the Indemnified Parties who are not parties to this Agreement, the Agent shall obtain and hold the rights and benefits of this section 12 and section 13 in trust for and on behalf of such Indemnified Parties and the Agent agrees to accept such trust and to hold the benefit of such covenants on behalf of such persons and may enforce the benefit of such covenants on behalf of such persons.
- 12.6 The rights of indemnity contained in this section 12 in respect of a Claim based on a misrepresentation or omission or alleged misrepresentation or omission in the Prospectus shall not apply if the Corporation has complied with sections 4 and 5 and where it is determined by a court of competent jurisdiction by final and non-appealable judgement that the person

asserting such Claim was not provided with a copy of the Supplementary Material (if required under the Securities Laws to have been so delivered to such person by the Agent) which corrects such misrepresentation or omission or alleged misrepresentation or omission, if such claim would have no basis had such delivery been made.

- 12.7 The rights and remedies of the Agent set forth in sections 12, 13 and 17 are to the fullest extent possible in law cumulative and not alternative and the election by the Agent to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any of the other of such rights and remedies.

**13. Contribution.**

- 13.1 In order to provide for just and equitable contribution in circumstances in which the indemnity provided in section 12 would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Agent or any Indemnified Party or enforceable otherwise than in accordance with its terms, or is insufficient to hold any Indemnified Party harmless, the Corporation shall contribute to the aggregate of all liabilities, claims, actions, complaints, losses (other than loss of profits), costs (including without limitation legal fees and disbursements on a solicitor and his own client basis), fines, penalties, taxes, interest, damages or expenses of the nature contemplated in section 12 and suffered or incurred by the Indemnified Parties: (a) in such proportions so that the Agent is responsible for the proportion represented by the percentage that the Agent's fee payable pursuant to this Agreement bears to the total proceeds from the Offering of the Offered Units and the Corporation is responsible for the balance, whether or not they have been sued together or sued separately; or (b) if the allocation provided by the foregoing clause (a) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing clause but also the relative fault of the Corporation on the one hand and the Indemnified Parties on the other in connection with the statements, omissions or other matters which resulted in such losses, claims, damages, fines, penalties, liabilities or expenses of any nature whatsoever as well as any other relevant equitable considerations. The parties' relative fault shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or any omission or alleged omission to state a material fact relates to information supplied by the Corporation on the one hand or the Agent on the other and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent any such untrue statement or omission. However, no party who has engaged in any fraud, fraudulent misrepresentation, wilful default or negligence (as determined by a court of competent jurisdiction in a final non-appealable judgment) shall be entitled, to the extent that the liabilities, claims, losses, costs, damages or expenses were caused by such activity, to claim contribution from any person who has been determined by a court of competent jurisdiction in a final non-appealable judgment not to have engaged in such fraud, fraudulent misrepresentation, wilful default or negligence and each such party shall reimburse any funds advanced by the Corporation to such party pursuant to this section 13 in respect of such Claim.

- 13.2 The rights to contribution provided in this section 13 shall be in addition to and not in derogation of any other right to contribution which the Agent may have by statute or otherwise at law, and shall remain operative and in full force and effect regardless of:

- (a) any investigation made by or on behalf of the Agent or any other Indemnified Party;
- (b) acceptance of any Offered Units, Unit Shares, Warrants or Broker Warrants and payment thereof; or
- (c) any termination of this Agreement.

13.3 In the event that the Corporation may be held to be entitled to contribution from the Agent pursuant to section 13.1 or under the provisions of any statute or at law, the Corporation shall be limited to receiving contribution in an aggregate amount not exceeding the lesser of:

- (a) the portion of the full amount of the loss or liability giving rise to such contribution for which the Agent is responsible, as determined in section 13.1; and
- (b) the amount of the compensation actually received by the Indemnified Party hereunder (being in the case of the Agent, the portion of the Agent's fee actually received by such Agent) minus the aggregate of any amounts paid or payable by the Indemnified Party by way of contribution to any other person hereunder.

13.4 If an Indemnified Party has reason to believe that a claim for contribution may arise, it shall give the Corporation notice thereof in writing as soon as reasonably possible, but failure to notify the Corporation shall not relieve the Corporation of any obligation it may have to any Indemnified Party under this section 13 except to the extent that the failure materially prejudices the Corporation.

13.5 The Corporation hereby irrevocably waives its right, whether by statute, common law or otherwise, to recover contribution from any Indemnified Party with respect to any liability of the Corporation by reason of or arising from any misrepresentation contained in the Preliminary Prospectus or the Prospectus, provided however that such waiver shall not apply in respect of liability caused or incurred by reason of or arising from:

- (a) any misrepresentation which is based upon or results from Agent' Information contained in such document; or
- (b) any failure by the Agent to provide to prospective purchasers of the Offered Units any document which the Corporation is required to provide to such prospective purchasers and which the Corporation has provided to the Agent in sufficient numbers to provide to such prospective purchasers.

#### **14. Expenses.**

14.1 Whether or not the Offering of the Offered Units is completed, the Corporation shall be responsible for all of the costs in connection with the proposed Offering, including without limitation the fees and expenses of counsel to the Corporation (including fees and expenses incurred by such counsel in connection with discussions with and opinions to the Agent and its counsel as part of the Agent's due diligence investigations), auditors, transfer agents and outside consultants, filing fees, the costs and expenses of qualifying the Prospectuses in each of the Qualifying Provinces, the preparation of audio-visual or other material for marketing presentations and information meetings, out-of-pocket costs related to travel and

accommodations for the Corporation's executives and the representatives of the Agent attending such presentations and meetings and the cost of preparing record books for all of the parties to this Agreement and their respective counsel and all other reasonable out-of-pocket expenses incurred by the Agent, including fees and disbursements (to a maximum of \$55,000) of the Agent's counsel, plus applicable taxes.

**15. Covenants of the Agent.**

- 15.1 The Agent shall as soon as practicable and, in any event, not less than one Business Day prior to the deadline prescribed by the applicable Regulatory Authority, provide to the Corporation a breakdown of the number of Offered Units sold in each jurisdiction where such information is required for the purpose of calculating filing fees payable.

**16. Nature and Survival of Representations, Warranties, Covenants and Indemnity.**

- 16.1 All representations, warranties, covenants, obligations and agreements of the Corporation herein contained or contained in documents submitted or delivered pursuant to this Agreement shall survive the closing of the transactions contemplated by this Agreement and shall continue in full force and effect for a period of 2 years from Closing regardless of any examination or investigation which the Agent may carry out or which may be carried out on its behalf.

**17. Termination Rights.**

- 17.1 The obligation of the Agent to fulfill its duties hereunder shall be subject to the accuracy in all material respects as of the Closing Time of the representations and warranties of the Corporation contained herein or in any certificate or document delivered pursuant to or contemplated by this Agreement and the due fulfillment and compliance by the Corporation in all material respects of and with its covenants herein and therein contained.
- 17.2 All representations, warranties, terms and conditions of this Agreement, other than those which expressly provide for an obligation of the Agent, shall be construed as conditions inserted for the benefit of the Agent. Any breach of, default under or non-compliance with, in any material respect, any such representation, warranty, term or condition by the Corporation shall entitle the Agent, without limitation of any other remedies of the Agent, to terminate its obligations hereunder, and to withdraw all subscriptions on behalf of potential purchasers of Offered Units, by giving written notice to that effect to the Corporation at or prior to the Closing Time. The Agent may waive, in whole or in part, or extend the time for compliance with, any such representation, warranty, term or condition without prejudice to the rights of the Agent in respect of any other such representation, warranty, term or condition or any other or subsequent breach, default or non-compliance with that or any other representation, warranty, term or condition, provided that to be binding on the Agent any such waiver or extension must be in writing. No act of the Agent in offering the Offered Units or in preparing or joining in the execution of the Prospectuses or any Supplementary Material shall constitute a waiver of, or estoppel against, the Agent.
- 17.3 In addition to any other remedies which may be available to the Agent, the Agent shall be entitled, at the Agent's option, to terminate and cancel, without any liability on the Agent's



part, the Agent's obligations hereunder by written notice to that effect given to the Corporation at or prior to the Closing Time if:

- (a) any purchasers of Offered Units in the Qualifying Provinces would be subject to a hold period of any length under Securities Laws in respect of the Unit Shares or the Warrants forming part of the Offered Units or the Warrant Shares; or
- (b) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the Distribution of the Offered Units is made, or any proceeding is announced or commenced for the making of any such order, by any securities regulatory authority, any stock exchange or by any other competent authority, and has not been rescinded, revoked or withdrawn; or
- (c) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, threatened or announced or any order or ruling is issued under or pursuant to any statute of Canada or any of the Qualifying Provinces, or of the United States or any state thereof or by any official of any stock exchange or by any other regulatory authority having jurisdiction over a material portion of the business and affairs of the Corporation or there is any change of law, or the interpretation, pronouncement or administration thereof or in respect thereof, which in the opinion of the Agent, acting reasonably, may prevent or operates to delay, prevent or restrict the Distribution of, trading in, or marketability of, the Offered Units or the trading in any other securities of the Corporation; or
- (d) there should develop, occur or come into effect or existence any event, action, or occurrence of national or international consequence, any governmental law or regulation, state, condition or major financial occurrence, including any act of terrorism, war or like event, or other occurrence of any nature, which, in the Agent's reasonable opinion, materially adversely affects, or may materially adversely affect, the financial markets in Canada or the business, financial condition, operations or affairs of the Corporation or prevents or materially restricts the trading in or the distribution of the Offered Units in the Qualifying Provinces; or
- (e) the Agent shall have determined that the Offered Units cannot be profitably marketed; or
- (f) there is a suspension or material limitation in trading in securities generally on the TSX-V; or
- (g) there is a material disruption in the commercial banking or securities settlement or clearance services in Canada which disruption continues for 5 or more Business Days or is occurring at the Closing Time; or
- (h) there shall occur any event or change (actual, imminent or reasonably expected), or any development including a prospective event or change, financial or otherwise, in the business, financial condition, affairs, operations, assets, liabilities (contingent or otherwise) or capital or ownership of the Corporation or there should be discovered any previously undisclosed material fact required to be disclosed in the Prospectus or required to be disclosed therein to prevent any statement contained therein from

being a misrepresentation or there should occur a change (other than a change related solely to and provided by the Agent) in a material fact contained in the Prospectus, in each case, which, in the Agent's opinion, could reasonably be expected to have a significant adverse effect on the market price or value of the Common Shares or could reasonably result in the purchasers of a material number of Offered Units exercising their right under Securities Laws to withdraw from or rescind their purchase or sue for damages in respect thereof.

- 17.4 If the Agent shall elect to terminate its obligations hereunder as aforesaid, whether the reason for such termination is within or beyond the control of the Corporation, the liability of the Corporation hereunder with respect to such Agent shall be limited to the indemnity referred to in section 12, the contribution rights referred to in section 13 and the payment of expenses referred to in section 14 each of which sections shall survive the termination of this Agreement.
- 17.5 The rights of termination contained in this section 17 may be exercised in addition to any other rights or remedies the Agent may have in respect of any of the matters contemplated by this Agreement or otherwise. Any such termination shall not discharge or otherwise affect any obligation or liability of the Corporation provided herein or prejudice any other rights or remedies any party may have as a result of any breach, default or non-compliance by any other party.
- 17.6 The execution of any Supplementary Material (including without limitation an amendment to the Preliminary Prospectus or the Prospectus) in respect of any material change and the continued offering of the Offered Units thereafter by the Agent shall not constitute a waiver of the Agent's rights under this section 17.

**18. Notification.**

- 18.1 The Corporation shall advise the Agent promptly of any request made at any time prior to the end of the Distribution Period by any Regulatory Authority or the TSX-V for any Supplementary Material or for any additional information, of the issuance by any such Regulatory Authority or the TSX-V of any cease trading or stop order relating to the Common Shares or any other securities of the Corporation or order preventing or suspending the use of the Prospectuses relating to the Offered Units or the qualification of the Offered Units for offering or sale, in any jurisdiction, or of the institution or threat to its knowledge of institution of any proceedings for that purpose or of the receipt by the Corporation of any written communication from any such Regulatory Authority or the TSX-V relating to the Prospectuses, any Supplementary Material or the Distribution of Offered Units. The Corporation shall use all commercially reasonable efforts to prevent the issuance of any such cease trading or stop order or other order and, if issued, to obtain the withdrawal or lifting thereof as soon as possible.
- 18.2 During the Distribution Period, the Corporation shall provide to the Agent on a timely basis, for review by the Agent and its counsel prior to filing, any proposed document, including without limitation any Supplementary Material and any annual information form, press release, material change report, business acquisition report or information circular, which may be required to be filed by any Regulatory Authority or the TSX-V.

**19. Notices.**

19.1 Any notice or other communication to be given hereunder shall be in writing and shall be delivered:

if to the Corporation:

DiaMedica Inc.  
c/o DiaMedica USA Inc.  
One Carlson Parkway, Suite 124  
Minneapolis, Minnesota 55447  
Attention: Rick Pauls  
Facsimile Number: (204) 453-3745

with a copy to:

Fillmore Riley LLP  
1700 - 360 Main Street  
Winnipeg, Manitoba R3C 3Z3  
Attention: Peter J. Davey  
Facsimile Number: (204) 954-0388

if to the Agent:

Jordan Capital Markets Inc.  
Suite 420, 505 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 1G2  
Attention: Stephen Mullie  
Facsimile Number: (403) 770-7020

with a copy to:

Dentons Canada LLP  
Bankers Court, 15th Floor  
850 – 2nd Street S.W.  
Calgary, Alberta T2P 0R8  
Attention: Keith Inman  
Facsimile Number: (403) 268-3100

The Corporation and the Agent may change their respective addresses for notices by notice given in the manner aforesaid. Any such notice or other communication shall be in writing, and unless delivered to a responsible person of the addressee, shall be given by courier service or by facsimile or other electronic transmission, and shall be deemed to have been received, if given by facsimile or other electronic transmission, at the time of sending (if prior to 4:00 p.m. (local time at place of receipt) on a Business Day and, otherwise, on the next Business Day following the sending thereof) and, if given by courier service when delivered.

**20. Further Offerings.**

- 20.1 The Corporation hereby agrees that, without the prior consent of the Agent, which consent shall not be unreasonably withheld, it will not offer or issue, or enter into an agreement to offer or issue, or announce any intention to offer or issue, any of its securities or any securities convertible or exchangeable into its securities (other than stock options granted pursuant to its stock option plan or securities issuable upon the exercise of its currently outstanding stock options or convertible securities) for a period of 90 days following the Closing Date.

**21. Relationship Between the Corporation and the Agent**

- 21.1 The Corporation: (a) acknowledges and agrees that the Agent may have certain statutory obligations as a registrant under the Securities Laws and may have fiduciary relationships with its clients; (b) acknowledges and agrees that the Agent is not a fiduciary of the Corporation; and (c) consents to the Agent acting hereunder while continuing to act for its clients. To the extent that the Agent's statutory obligations as registrant under the Securities Laws or fiduciary relationships with its clients (if any) conflict with obligations hereunder, the Agent shall be entitled to fulfill its statutory obligations as a registrant under the Securities Laws and its fiduciary and other duties to its clients. Nothing in this Agreement shall be interpreted to prevent the Agent from fulfilling its statutory obligations as a registrant under the Securities Laws or its fiduciary or other duties to its clients or to act as a fiduciary of its clients.

**22. Miscellaneous.**

- 22.1 If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The invalidity or unenforceability of any provision in any particular jurisdiction shall not affect its validity or enforceability in any other jurisdiction where it is valid or enforceable.
- 22.2 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without reference to the conflicts of laws provisions thereof. Each of the parties irrevocably attorns to the jurisdiction of the courts of the Province of Alberta with respect to all matters arising out of this Agreement and the transactions contemplated herein.
- 22.3 Time shall be of the essence hereof.
- 22.4 Unless otherwise indicated, all references herein to currency shall be to the lawful money of Canada.
- 22.5 In exercising rights or making decisions under this Agreement, all parties shall act in a commercially reasonable manner consistent with practice in the Canadian securities industry.
- 22.6 This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts, taken together, shall constitute one and the same instrument. A signed counterpart of this Agreement provided by way of facsimile or other electronic transmission shall be as binding upon the parties as an originally signed counterpart.

- 22.7 The terms and conditions of this Agreement supersede any previous verbal or written agreement among the Agent (or any of them) and the Corporation with respect to the subject matter hereof, including, without limitation, the Engagement Letter.
- 22.8 Each of the parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other party hereto may reasonably require from time to time for the purposes of giving effect to this Agreement and shall use reasonable commercial efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

*[Remainder of page intentionally left blank]*

If this letter accurately reflects the terms of the agreement which we are to enter into and if such terms are agreed to by the Corporation, please signify acceptance by executing the enclosed copies of this letter where indicated below and returning them to Jordan Capital Markets Inc.

Yours very truly,

**JORDAN CAPITAL MARKETS INC.**

By: "Stephen Mullie" (signed)

Name: Stephen Mullie

The foregoing agreement is hereby accepted and agreed to as of the date first written above.

**DIAMEDICA INC.**

By: "Rick Pauls" (signed)

Name: Rick Pauls

Title: President, Chief Executive Officer & Chairman