



## **DIAMEDICA THERAPEUTICS INC. AUDIT COMMITTEE CHARTER**

### **Organization**

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of DiaMedica Therapeutics Inc. (the “Company”). This charter governs the operations of the Committee.

### **Purpose and Authority**

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to the Company’s annual and quarterly financial statements filed with the Securities and Exchange Commission (the “SEC”) and any applicable securities regulatory authorities of the provinces and territories of Canada, the Company’s financial reporting process, its internal control over financial accounting and disclosure controls and procedures, the annual independent audit of the Company’s financial statements, and the effectiveness of the Company’s legal compliance and ethics programs. In so doing, it is the responsibility of the Committee to maintain free and open communication among the Committee, management and the Company’s independent registered public accounting firm.

The Committee should have a clear understanding with the Company’s independent registered public accounting firm that the Committee is directly responsible for the appointment, compensation, retention and oversight of the Company’s independent registered public accounting firm, and that the ultimate accountability of the firm is to the Committee and to the Board. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention by the auditors, an employee, the Chief Executive Officer, the Chief Financial Officer or any outside party and in conducting any such investigation, the Committee will have full access to all books, records, facilities, and personnel of the Company and the power to retain or obtain the advice of consultants, legal counsel and advisors and approve the fees and other retention terms of such consultants, counsel and advisors, as it deems appropriate.

The Company will provide adequate and appropriate funding, as determined by the Committee, for payment of reasonable compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and for any consultants, counsel or advisors retained by the Committee and to fund other appropriate expenses that are necessary or appropriate for the Committee in carrying out its responsibilities.

## **Membership and Structure**

The Committee will consist of at least three directors. All Committee members will meet the independence requirements for serving on audit committees set forth in the US federal securities laws, or any applicable securities laws of the provinces and territories of Canada, and under the rules and regulations established by the SEC and the Nasdaq Stock Market, and any applicable laws, rules and regulations of any other stock exchange on which the Company's securities may be listed, and as may be amended from time to time. No member of the Committee will have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the preceding three years. All Committee members will be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. At least one member of the Committee will have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities and otherwise qualifies as an "audit committee financial expert," as defined and required under the federal securities laws and rules and regulations of the SEC, as amended from time to time. The Board will be responsible for determining "independence" of Committee members and other qualifications, including without limitation qualification of a member as an "audit committee financial expert." Notwithstanding the foregoing, the Board may decide at any time and in its sole discretion to waive one or more of the foregoing qualifications with respect to a member of the Committee for a transitional time period if then permitted under applicable laws, rules and regulations.

Committee members will not serve on more than three public company audit committees simultaneously unless the Board determines that such simultaneous service would not impair the member's ability to serve effectively on the Committee.

Appointment to the Committee, including the designation of the Chair of the Committee, will be made on an annual basis by the full Board. Committee members will serve until their successors are appointed and qualify. Committee members may be removed by the Board at any time. The Chair of the Committee will report on activities of the Committee to the full Board.

Meetings of the Committee will be held at such times and places as the Committee will determine, including by written consent; provided, however, that the Committee will meet at least once each fiscal quarter. The Committee may invite members of management, compensation consultants or other advisors to attend meetings and provide pertinent information. The Committee will meet periodically and separately with management, in executive session outside of the presence of management and in executive session with the Company's independent registered public accounting firm outside of the presence of any management.

In fulfilling its responsibilities, the Committee will have authority to delegate its authority to subcommittees, in each case to the extent permitted by applicable law.

## Responsibilities and Processes

The primary responsibilities of the Committee are as follows:

- Oversee the Company's financial reporting process, internal control over financial reporting and disclosure controls and procedures on behalf of the Board and report the results or findings of its oversight activities to the Board.
- Appoint, oversee, evaluate, retain and, when necessary, terminate the engagement of the Company's independent registered public accounting firm and establish the compensation to be paid to such firm. The Committee will be solely and directly responsible for such appointment and the Company's independent registered public accounting firm will report directly to the Committee. The Committee, in its discretion, may seek shareholder ratification of the appointment of the Company's independent registered public accounting firm.
- Pre-approve all auditing services and permitted non-audit services, including fees for such services, to be provided to the Company by the independent registered public accounting firm, including specific pre-approval of internal control-related services based on applicable rules of the Public Company Accounting Oversight Board ("PCAOB") and any applicable laws, rules and regulations of any other stock exchange on which the Company's securities may be listed, and receive certain disclosure, documentation, and discussion of non-prohibited tax services by the independent registered public accountant based on applicable PCAOB rules, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit, and consider whether any permitted non-audit assignments are compatible with maintaining the general independence of the independent registered public accounting firm. The Committee may establish pre-approval policies and procedures, as permitted by Section 10A of the Exchange Act and the rules and regulations promulgated thereunder, for the engagement of the Company's independent registered public accounting firm to perform audit services and permissible non-audit services, including but not limited to policies that allow the formation and delegation of authority to subcommittees consisting of one or more members of the Committee, provided that any decisions of such subcommittee to grant pre-approvals will be presented to the full Committee at its next scheduled meeting. The Committee will not engage the independent registered public accountants to perform non-audit services that are prohibited by law or regulation.
- Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
- Oversee the Company's systems to monitor legal and ethical compliance programs, including the establishment and administration (including the grant of any waiver from) a written code of ethics applicable to the Company's principal executive officer,

principal financial officer, principal accounting officer or controller, or persons performing similar functions.

In carrying out its responsibilities, the Committee intends to take all actions that are consistent with this charter, the Company's articles of incorporation and bylaws that the Committee deems necessary or appropriate to fulfill its responsibilities. The following will be the principal recurring processes of the Committee in carrying out its oversight responsibilities. These processes are set forth as a guide, with the understanding that the Committee may supplement them as appropriate and is not intended to be a comprehensive list of all of the actions that the Committee will take in discharging its duties.

- Review and discuss with the Company's independent registered public accounting firm its objectivity and independence from management and the Company, any relationships the independent registered public accounting firm has with the Company and services the independent registered public accounting firm provides the Company that may impact the firm's objectivity or independence, and the matters included in the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board. The Committee will obtain and review a written statement from the auditors regarding their independence consistent with applicable requirements of the Public Company Accounting Oversight Board. The Committee will take appropriate action in response to the report of the Company's independent registered public accounting firm to satisfy itself of the firm's independence.
- Review and discuss with management and the Company's independent registered public accounting firm the Company's annual audited financial statements to be included in the Company's annual report on Form 10-K, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations," recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K and prepare the report required by SEC to be included in the Company's annual proxy statement. Also, the Committee will discuss the results of the annual audit and any other matters required to be communicated to the Committee by the Company's independent registered public accounting firm under generally accepted auditing standards.
- Review and discuss with management and the Company's independent registered public accounting firm the Company's quarterly financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to the filing of the Company's quarterly report on Form 10-Q, including the results of the Company's independent registered public accounting firm's review of the quarterly financial statements to the extent applicable.
- Discuss with the Company's independent registered public accounting firm the matters required to be discussed by applicable accounting rules and regulations.
- Review and discuss with management and the Company's independent registered public accounting firm, as applicable (a) major issues regarding accounting principles

and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management or the Company's independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connections with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (c) any management letter provided by the Company's independent registered public accounting firm and the Company's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the Company's independent registered public accounting firm's activities or on access to requested information and management's response thereto; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; (f) information generally to be included in earnings press releases and financial information and earnings guidance provided to investors, analysts and rating agencies; and (g) the use of "pro forma" or "adjusted" non-GAAP information.

- Review with the Company's independent registered public accounting firm its reports delivered pursuant to Section 10A(k) of the Exchange Act.
- Obtain and review a report from the Company's independent registered public accounting firm at least annually regarding (a) the firm's internal quality-control procedures, (b) any material issues raised by the most recent quality-control, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the Company's independent registered public accounting firm and the Company.
- Discuss with the Company's independent registered public accounting firm the overall scope and plans for the firm's audits, including the adequacy of staffing and compensation.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years.
- Set clear hiring policies for employees or former employees of the Company's independent registered public accounting firm.
- Review and discuss with management and the Company's independent registered public accounting firm the adequacy and effectiveness of the Company's internal controls (including any significant deficiencies and significant changes in internal controls reported to the Committee by the Company's independent registered public accounting firm or management); the adequacy and effectiveness of the Company's disclosure controls and procedures; the adequacy of disclosures about changes in

internal control over financial reporting; and any special steps adopted in light of material control deficiencies.

- Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have significant role in the Company's internal controls.
- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor the control such exposures.
- Review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons.
- Review periodically the Company's cybersecurity efforts.
- Oversee the Company's systems to monitor compliance with legal and regulatory requirements and the Company's Code of Business Conduct and Ethics and review matters related to the legal and regulatory compliance activities of the Company, including without limitation any legal or regulatory matter that could have a significant impact on the Company's financial statements.
- Report to the Board any violations of the Company's Code of Business Conduct and Ethics that have been brought to the attention of the Committee or any member thereof.
- Review all transactions with related persons (within the meaning of Item 404 of SEC Regulation S-K) for potential conflict of interests situations and either approve or disapprove such transactions.
- Perform any other activities consistent with this charter, the Company's articles of incorporation and bylaws, and governing law as the Committee or the Board deems appropriate
- Evaluate periodically the performance of the Committee.
- Review, at least annually, the compliance of the Committee with this charter and review and reassess the adequacy of this charter at least annually and recommend to the Board any changes to this charter, as necessary and appropriate.

## **Limitations Inherent in the Committee's Role**

The function of the Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviewing the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, auditing annually management's assessment of the effectiveness of internal control over financial reporting, if required by the rules of the SEC, and other procedures. In fulfilling their responsibilities hereunder, it is recognized that the members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants.

Similarly, in carrying out its responsibilities and duties regarding legal and regulatory requirements, the Committee relies upon the expertise and knowledge of the Company's management. Accordingly, it is the responsibility of the Company's management to ensure compliance with applicable legal and regulatory requirements. It is not the duty of the Committee to assure compliance with legal and regulatory requirements, and ethical programs and policies as established by management and the Board. Rather, the Committee will oversee the relevant work of the Company's management and will receive reports from management about issues that may arise concerning the Company's compliance with legal and regulatory requirements, and ethical programs and policies as established by management and the Board.

Adopted by the Board of Directors of  
DiaMedica Therapeutics Inc.:  
October 5, 2018