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DiaMedica Announces Strategic Investment by Hermed Capital Healthcare Fund

WINNIPEG, MANITOBA and MINNEAPOLIS, MINNESOTA -- (Marketwired) -- 07/17/16 -- DiaMedica Inc. (the "**Company**") (TSX VENTURE:DMA)(OTCQB:DMCAF), today announced a strategic investment with Hermed Capital Healthcare Fund ("**Hermed Capital**"). Hermed Capital Healthcare Fund is a healthcare investment fund in partnership with Shanghai Fosun Pharmaceutical Group (HKSE:02196-HK) and SK Group (a South Korea based Fortune Global 100 Company).

The investment agreement provides for Hermed Capital to invest USD\$4.0 million for a total of 20 million common shares of the Company at USD\$0.20 (~CND\$0.26) per common share in two tranches. The 10 day volume-weight average price was CND\$0.26 on July 13, 2016. The first tranche will be USD\$1.0 million, while the second tranche of USD\$3.0 million, is anticipated to close in August, 2016. The closing of each tranche is subject to customary closing conditions contained in the investment agreement, as well as TSX Venture Exchange approval.

"We are delighted to have Hermed Capital provide a strategic investment to further validate the potential of DM199 in China and for worldwide use for the treatment of neurological and kidney diseases," commented Rick Pauls, DiaMedica's President and CEO. "DiaMedica is funded through its next major milestones, including upcoming clinical trial."

"We are excited to have the opportunity to invest in DiaMedica," stated Dr. Jerry Xiao, Managing Director of Hermed Capital, continuing, "We look forward to working with DiaMedica in positioning DM199 for the growing Chinese markets of acute ischemic stroke and diabetic kidney disease markets, as a strategic partner we'll leverage our resources in China. DM199 will also provide further commercial opportunities globally."

DiaMedica intends to use the offering proceeds toward advancing its R&D programs including an upcoming DM199 clinical trial, and general corporate purposes.

About DiaMedica

DiaMedica is a Canadian publicly-traded clinical stage biopharmaceutical company focused on developing novel treatments for neurological and kidney diseases. DiaMedica's shares are listed on the TSX Venture Exchange under the trading symbol "DMA" and on the OTCQB under the trading symbol "DMCAF".

About Hermed Capital

Hermed Capital Healthcare Fund (the "Fund") is a private equity fund that invests primarily in

the healthcare industry. The Fund was initiated through a partnership between Fosun Pharmaceutical Group ("Fosun Pharma") and SK Group ("SK"), as the General Partners and anchored investors.

Established in 1994 and listed on both the Shanghai and Hong Kong Stock Exchanges, Fosun Pharma (600196-SH; 02196-HK) is one of the largest healthcare conglomerates in China. In addition, the company has a leading domestic market position and unmatched advantages in pharmaceutical distribution and retail, healthcare services, diagnostic products, and medical devices, and maintains a strong focus on research and development, and manufacturing.

SK Group ("SK") is a leading conglomerate in Korea, being one of the nation's economic pillars, accounting for 11% of the country's GDP and 11% of exports. SK is mainly engaged in energy and chemicals; information and telecommunication; marketing and logistics services; biopharmaceuticals; and real estate. Moreover, as a world-class pharmaceutical and healthcare service operator with prominent capability in R&D, SK has its R&D labs, manufacturing facilities, and distribution channels in different countries, including Korea, the United States, and China.

FORWARD-LOOKING STATEMENTS

The statements made in this press release that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address DiaMedica's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. Forward looking statements in this news release include, but are not limited to, the Company's objectives, goals, future plans and statements regarding the use of proceeds from the private placement. Factors that could cause actual results to differ materially from such forward-looking information described in detail in the DiaMedica's filings with the Canadian securities regulators, all of which are available on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results could differ materially from those anticipated in these forward-looking statements. DiaMedica undertakes no obligation, and does not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events, unless required by law. Although management believes that expectations are based on reasonable assumptions, no assurance can be given that these expectations will materialize.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of the contents of this press release.

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