IMPORTANT TAX NOTICE TO US SHAREHOLDERS RELATED TO YOUR INVESTMENT IN DIAMEDICA THERAPEUTICS INC.

This information is provided for shareholders who are US taxpayers. It may not be relevant for other persons.

DIAMEDICA THERAPEUTICS INC. **("DiaMedica"),** believes that it would be classified as a passive foreign investment company ("PFIC") for its taxable year ended December 31, 2022.

THIS NOTICE DOES NOT CONSTITUTE TAX ADVICE. AS THE US TAX RULES REGARDING PFICS ARE VERY COMPLEX, INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THEIR INVESTMENT IN DIAMEDICA BASED ON THEIR OWN SPECIFIC FACTS AND CIRCUMSTANCES. DIAMEDICA DISCLAIMS ANY RESPONSIBILITY OR LIABILITY FOR ANY RELIANCE THAT ANY PERSON MAY PLACE ON THIS NOTICE.

PFIC definition

A US taxpayer is subject to specific US tax rules if s/he owns a direct or indirect interest in a PFIC. A foreign (non-US) corporation is a PFIC if either (i) at least 75% of its gross income for the taxable year is comprised of passive income, or (ii) at least 50% of assets held by such corporation during the taxable year produce passive income, or are held for the production of passive income.

Once a corporation is a PFIC in respect of an investor, it remains a PFIC.

Default PFIC taxation

The default rules divide distributions into regular and excess distributions. An excess distribution is one which exceeds 125% of the average of distributions received in the three preceding taxable years. A gain on the disposition of stock in a PFIC is also an excess distribution.

A regular distribution is subject to ordinary tax. The lower rates applying to qualified dividends and long-term capital gains do not apply.

An excess distribution is treated as though it was earned evenly over the time the shares of the PFIC have been held (and the company was a PFIC). Tax is imposed for each year at the highest rate applicable for that year. A foreign tax credit is allowed in respect of any foreign (Canadian) tax paid on the distribution, resulting in a tax for that year. An interest charge is then applied to the tax for each year, as though the tax were due April 15 of the following year.

Qualified electing fund ("QEF")

It is possible to avoid some of the adverse consequences described above by making a QEF election.

A US shareholder who makes a QEF election with respect to the DiaMedica entities is required to annually include in his or her income his or her pro-rata share of the ordinary earnings and net capital gains of that entity, whether or not that entity distributes any amounts to its shareholders.

Making the QEF election allows an exemption from the default regime in respect of the current-year income. However, unless the election is made in the first year that the company is a PFIC to the US shareholder, it does not avoid taxation under the default regime for other excess distributions, including the gain on disposition.
In later years, to avoid the default regime entirely, the election must be made in conjunction with a deemed sale, which causes recognition of all gain to that date. Loss realized on the deemed sale is not recognized.

Mark-to-Market election (“MTM”)

A third alternative is to elect MTM treatment. This election can only be made in respect of stock which regularly trades on a market, or is redeemable in the manner of a mutual fund.

In this case, a shareholder of a PFIC includes, as ordinary income in the current year, all distributions from the PFIC, and recognizes gain as though the stock were sold at the end of the year.

If the value of the stock has declined from the beginning of the year to the end, a loss may be recognized, so long as it does not reduce the basis of the stock below the original cost.

PFIC reporting

Reporting of these items is made on Form 8621 ("Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund") on or before the due date, including extensions, for the shareholder’s income tax return.

Each US shareholder must file Form 8621 even if s/he is not required to recognize income under the PFIC rules in the relevant taxable year. There are exceptions to this annual reporting requirements for certain US persons, including but not limited to, tax-exempt US shareholders and US shareholders whose total interest in PFICs is small.

The attached PFIC Annual Information Statement is being provided pursuant to the requirements of Treasury Regulation Section 1.1295-1(g)(1). This Statement contains information to enable you, should you so choose based on the advice of your tax advisor in light of your personal tax circumstances, to elect to treat DiaMedica as a QEF.

We have prepared the calculations based on the information available to us and to the best of our knowledge. DiaMedica believes that changes in financial information for the 2022 Taxable Year of each of DiaMedica entities, if any, would not be significant and would not change the total amount of ordinary earnings and net capital gain included on PFIC Annual Information Statement.

US Circular 230 Notice

To ensure compliance with US Circular 230, you are hereby notified that any discussion of US federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used by any taxpayer for the purpose of (i) avoiding penalties that may be imposed under the United States Internal Revenue Code; (ii) promoting, marketing or recommending (within the meaning of Circular 230) to another party any matters addressed herein; (iii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

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Information Statement

ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

1 This Information Statement applies to the taxable year of DIAMEDICA THERAPEUTICS INC. **("DiaMedica"),** beginning on January 1, 2022 and ending on December 31, 2022 (the "**2022 Tax year**").

2 If you are a U.S. shareholder that has made or plans to make a qualifying electing fund election with respect to the common shares of **DiaMedica** ("**DiaMedica shares**"), you may determine your pro rata share of ordinary earnings and net capital gain, respectively, as provided below:

- Your pro-rata share of the ordinary earnings and net capital gains for DiaMedica for the 2022 tax year can be calculated by multiplying the number of DiaMedica shares you own by the amounts listed below.

- Your pro rata share of cash or other property distributed or deemed distributed by DiaMedica to you during the 2022 tax year can be calculated by multiplying the number of DiaMedica Shares you own by the amounts listed below.

3 The following are the ordinary earnings, net capital gain amounts, cash and property distributions by DiaMedica per DiaMedica share for the 2022 tax year:

Ordinary Earnings[1]	Net Capital Gain	Cash Distributions	Property Distributions	Termination Event
NONE	NONE	NONE	NONE	NONE

4 DiaMedica will permit the US shareholders to inspect its permanent books of account, records, and such other documents as may be maintained by DiaMedica to establish that DiaMedica's ordinary earnings and net capital gain, as defined in section 1293(e) of the US Internal Revenue Code of 1986, as amended, are computed in accordance with US income tax principles, and to verify these amounts and the shareholders' pro-rata shares thereof.

DIAMEDICA THERAPEUTICS INC.

February 8, 2023

Scott Kellen
Chief Financial Officer

[1] The term "ordinary earnings" means the excess of the earnings and profits of the PFIC for the taxable year over its net capital gain for the same taxable year.