

THE SECURITIES ACT) Order No. 3870
)
Section 20) August 30, 2002

DIAMEDICA INC.

WHEREAS:

(A) Diamedica Inc. (the "Corporation") has applied to The Manitoba Securities Commission (the "Commission") for an order pursuant to section 20 of The Securities Act (the "Act") in connection with certain trades as more particularly described below;

(B) It has been represented to the Commission by the Corporation that:

1. The Corporation was incorporated as Diabex Inc. by Certificate of Incorporation dated January 21, 2000 issued pursuant to the provisions of *The Corporations Act (Manitoba)*. The name of the Corporation was changed to Diamedica Inc. by Articles of Amendment dated April 3, 2001.
2. The Corporation is authorized to issue six classes of shares, being Voting Common Shares, Non-Voting Common Shares, Class A Shares, Class B Shares, Class C Shares and Class D Shares. The shares of each class may be issued in unlimited number and for unlimited consideration.
3. The only currently issued and outstanding shares of the Corporation are 5,230,768 Voting Common Shares which are held by five shareholders.
4. The Corporation is not subject to the requirement of Parts X, XI, XII of the Act.
5. The Corporation carries on business in the field of biotechnology research and development with a particular focus on diabetes research.
6. Prior to October 6, 2000, the Corporation was a "Private Company" for the purposes of the Act. On October 6, 2000, Articles of Amendment were filed by the Corporation to remove the private company restrictions contained in the Corporation's Articles in order to accommodate a private placement investment by two sophisticated investors.
7. The Corporation has received consulting services from Dr. Paula Macedo, Dr. Valeriano Leite and Michael Mayne (the "Consultants") in connection with its on-going business since May 2001, in the case of Dr. Mayne, and since March 2002, in the case of Dr. Macedo and Dr. Leite.

8. As partial consideration for the services rendered to the Corporation by the Consultants, the Corporation proposes to issue options ("Options") to the Consultants to acquire Voting Common Shares of the Corporation on the following terms:

<u>Consultant</u>	<u>Number of Shares Subject to Options</u>	<u>Exercise Price</u>
Dr. Paula Macedo	69,000	\$0.75
Dr. Valeriano Leite	36,000	\$0.75
Michael Mayne	15,000	\$0.75

9. The Options proposed to be issued will expire on the 5th anniversary of the date of issuance or earlier in the event of termination or disability, as provided in the Stock Option Plan of the Corporation.

10. Any shares that may be acquired by the Consultants pursuant to the exercise of the Options would be subject to the terms and conditions of the Shareholders Agreement dated October 6, 2000 to which all Shareholders of the Corporation are a party. That Agreement precludes any transfer of shares of the Corporation until such time as the subject shares are offered first to all other shareholders of the Corporation on a *pro rata* basis.

11. The Consultants are each intimately involved in medical research that constitutes a significant part of the Corporation's business initiatives, and all possess extensive knowledge of the Corporation's on-going and planned research activities. All are important members of the Corporation's research team and play an important role in the Corporation's development. As a result of this extensive knowledge, akin to that possessed by an employee, the Consultants do not require the assistance of a registrant in agreeing to accept the Options.

12. The "private company" exemption contained in the Act is no longer available to the Corporation.

13. There is no registration exemption available to the Corporation in connection with the issuance of the Options to the Consultants.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested.

IT IS ORDERED:

1. **THAT**, pursuant to section 20(1) of the Act, section 6 of the Act does not apply to trades in the Options to the Consultants.

2. **THAT**, the fee for this order shall be \$750.00.

BY ORDER OF THE COMMISSION

Deputy Director – Legal