CARDIOL THERAPEUTICS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Cardiol Therapeutics Inc.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	As at March 31, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**$ 14,295,020**	$ 16,731,500
Interest receivable	**25,620**	34,091
Commodity tax receivable	**608,767**	426,689
Prepaid expenses	**807,989**	488,839
Prepaid inventory (note 11(iv))	**3,807,315**	6,345,525
Inventory	**2,726,399**	-
Total current assets	**22,271,110**	24,026,644
Non-current assets		
Equipment (note 4)	**31,570**	25,551
Intangible assets (note 5)	**611,467**	632,578
Total assets	**$ 22,914,147**	$ 24,684,773
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	**$ 976,786**	$ 2,141,398
Total current liabilities	**976,786**	2,141,398
Non-current liabilities		
Convertible debentures (note 6)	**-**	269,216
Total liabilities	**976,786**	2,410,614
Equity (deficiency)		
Share capital (note 7)	**38,819,744**	36,722,454
Warrants (note 9)	**1,652,187**	1,593,608
Equity portion of convertible debentures (note 6)	**-**	259,463
Contributed surplus (note 8)	**2,510,953**	1,253,295
Deficit	**(21,045,523)**	(17,554,661)
Total equity (deficiency)	**21,937,361**	22,274,159
Total equity (deficiency) and liabilities	**$ 22,914,147**	$ 24,684,773

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these financial statements.

Commitments (notes 5 and 11)
Subsequent events (notes 8, 9 and 13)

Approved on behalf of the Board:

"*David Elsley*", Director

"*Eldon Smith*", Director

Cardiol Therapeutics Inc.
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating expenses (note 12)		
Administration	**$ 598,856**	$ 164,957
Depreciation of equipment (note 4)	**2,310**	1,340
Amortization of intangible assets (note 5)	**21,111**	21,111
Accretion and interest on convertible debentures (note 6)	**621**	18,705
Investor relations and promotions	**665,738**	30,325
Research and development	**512,745**	256,223
Salaries and benefits	**385,434**	60,778
Transfer agent and regulatory	**55,111**	-
Share-based compensation (note 8)	**1,257,658**	-
Loss before other income (expenses)	**(3,499,584)**	(553,439)
Interest income	**76,365**	1,806
Loss on foreign exchange	**(67,643)**	-
Net loss and comprehensive loss for the period	**$ (3,490,862)**	$ (551,633)
Basic and diluted net loss per share (note 10)	**$ (0.14)**	$ (0.04)
Weighted average number of common shares outstanding	**25,666,347**	15,113,100

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these financial statements.

Cardiol Therapeutics Inc.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating activities		
Net loss and other comprehensive loss for the period	**$ (3,490,862)**	$ (551,633)
Adjustments for:		
Depreciation of equipment	**2,310**	1,340
Amortization of intangible assets	**21,111**	21,111
Share-based compensation	**1,257,658**	-
Accretion on convertible debentures	**621**	16,705
Changes in non-cash working capital items:		
Interest receivable	**8,471**	5,504
Commodity tax receivable	**(182,078)**	(11,815)
Prepaid expenses	**(319,150)**	11,146
Prepaid inventory	**2,538,210**	-
Inventory	**(2,726,399)**	-
Accounts payable and accrued liabilities	**(1,164,612)**	168,950
Net cash used in operating activities	**(4,054,720)**	(338,692)
Investing activities		
Purchase of equipment	**(8,329)**	-
Net cash used in investing activities	**(8,329)**	-
Financing activities		
Proceeds from initial public offering, net of commission	**1,626,569**	-
Net cash provided by financing activities	**1,626,569**	-
Net change in cash and cash equivalents	**(2,436,480)**	(338,692)
Cash and cash equivalents, beginning of period	**16,731,500**	2,356,524
Cash and cash equivalents, end of period	**$ 14,295,020**	$ 2,017,832
Supplemental information		
Purchase of intangible assets	**$ -**	$ 760,000
Finders' fees paid in shares	**$ -**	$ 69,250

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these financial statements.

Cardiol Therapeutics Inc.

Condensed Interim Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)
Unaudited

	Share capital Number	Share capital Amount	Warrants	Contributed surplus	Equity portion of convertible debenture	Deficit	Total
Balance, December 31, 2017	**15,113,100**	**$ 4,255,389**	**$ -**	**$ -**	**$ 259,463**	**$ (1,660,926)**	**$ 2,853,926**
Net loss and comprehensive loss for the period	-	-	-	-	-	(551,633)	(551,633)
Balance, March 31, 2018	**15,113,100**	**$ 4,255,389**	**$ -**	**$ -**	**$ 259,463**	**$ (2,212,559)**	**$ 2,302,293**

	Share capital Number	Share capital Amount	Warrants	Contributed surplus	Equity portion of convertible debenture	Deficit	Total
Balance, December 31, 2018	**22,726,712**	**$ 36,722,454**	**$ 1,593,608**	**$ 1,253,295**	**$ 259,463**	**$ (17,554,661)**	**$ 22,274,159**
Initial public offering - Common shares	374,544	1,730,393	-	-	-	-	1,730,393
Share issuance costs	-	(162,403)	58,579	-	-	-	(103,824)
Convertible debentures conversion	2,700,000	529,300	-	-	(259,463)	-	269,837
Share-based compensation	-	-	-	1,257,658	-	-	1,257,658
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,490,862)	(3,490,862)
Balance, March 31, 2019	**25,801,256**	**$ 38,819,744**	**$ 1,652,187**	**$ 2,510,953**	**$ -**	**$ (21,045,523)**	**$ 21,937,361**

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these financial statements.

1. Nature of operations

Cardiol Therapeutics Inc. (the "Company") was incorporated under the laws of the Province of Ontario on January 19, 2017. The Company is a biotechnology company specializing in the research and commercial development of novel drug therapies utilizing proprietary drug-delivery systems. The Company is leveraging its expertise in pharmaceutical cannabinoids to develop proprietary formulations for commercial development. The Company's registered and legal office is located at 2275 Upper Middle Rd. E., Suite 101, Oakville, Ontario, L6H 0C3, Canada.

On December 20, 2018, the Company completed its initial public offering (the "IPO") on the Toronto Stock Exchange (the "TSX"). As a result, the Company's common shares commenced trading at that date on the TSX under the symbol "CRDL" and the warrants commenced trading under the symbol "CRDL.WT".

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of May 8, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2018, except as otherwise noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2019, could result in restatement of these unaudited condensed interim financial statements.

Change in accounting policies

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. At January 1, 2019, the Company adopted these amendments and there was no material impact on the Company’s unaudited condensed interim financial statements.

3. Cash and cash equivalents

Cash and cash equivalents include one cashable Guaranteed Investment Certificate totaling $60,000 earning interest of 2% per annum and maturing on December 4, 2019 (December 31, 2018 - two totaling $1,007,310 earning interest of 1.326% per annum and maturing on March 2, 2019 and one cashable Guaranteed Investment Certificate totaling $60,000 earning interest of 2% per annum and maturing on December 4, 2019). The Guaranteed Investment Certificate may be redeemed prior to maturity without penalty.

(Expressed in Canadian Dollars)

4. Property and equipment

Cost	Leasehold improvements	Office equipment	Computer equipment	Total
Balance, December 31, 2017	$ -	$ 3,129	$ 18,814	$ 21,943
Additions	-	-	13,791	13,791
Balance, December 31, 2018	-	$ 3,129	$ 32,605	$ 35,734
Additions	2,325	-	6,004	8,329
Balance, March 31, 2019	$ 2,325	$ 3,129	$ 38,609	$ 44,063

Accumulated Depreciation	Leasehold improvements	Office equipment	Computer equipment	Total
Balance, December 31, 2017	$ -	$ 313	$ 2,822	$ 3,135
Depreciation for the year	-	563	6,485	7,048
Balance, December 31, 2018	$ -	$ 876	$ 9,307	$ 10,183
Depreciation for the period	-	112	2,198	2,310
Balance, March 31, 2019	$ -	$ 988	$ 11,505	$ 12,493

Carrying value	Leasehold improvements	Office equipment	Computer equipment	Total
Balance, December 31, 2018	$ -	$ 2,253	$ 23,298	$ 25,551
Balance, March 31, 2019	$ 2,325	$ 2,141	$ 27,104	$ 31,570

No depreciation is recorded for leasehold improvements during the three months ended March 31, 2019 as the asset is not available for use.

5. Intangible assets

Cost	Exclusive global license agreement
Balance, December 31, 2017, December 31, 2018 and March 31, 2019	$ 767,228

Accumulated Amortization	Exclusive global license agreement
Balance, December 31, 2017	$ 50,206
Amortization for the year	84,444
Balance, December 31, 2018	$ 134,650
Amortization for the period	21,111
Balance, March 31, 2019	$ 155,761

Carrying Value	Exclusive global license agreement
Balance, December 31, 2018	$ 632,578
Balance, March 31, 2019	$ 611,467

5. Intangible assets (continued)

Exclusive global agreement ("Meros License Agreement")

In 2017, the Company was granted by Meros Polymers Inc. ("Meros") the sole, exclusive, irrevocable license to patented nanotechnologies for use with any drugs to diagnose, or treat, cardiovascular disease, cardiopulmonary disease, and cardiac arrhythmias. Meros is focused on the advancement of nanotechnologies developed at the University of Alberta.

Under the Meros License Agreement, Cardiol agreed to certain milestones and milestone payments, including the following: (i) payment of $100,000 upon enrolling the first patient in a Phase IIB clinical trial designed to investigate the safety and indications of efficacy of one of the licensed technologies; (ii) payment of $500,000 upon enrolling the first patient in a Pivotal Phase III clinical trial designed to investigate the safety and efficacy of one of the licensed technologies; (iii) $1,000,000 upon receiving regulatory approval from the FDA for any therapeutic and/or prophylactic treatment incorporating the licensed technologies. Cardiol also agreed to pay Meros the following royalties: (i) 5% of worldwide proceeds of net sales of the licensed technologies containing cannabinoids that Cardiol receives from human and animal disease indications and derivatives as outlined in the Meros License Agreement; (ii) 7% of any non-royalty sub license income that Cardiol receives from human and animal disease indications and derivatives for licensed technologies containing cannabinoids as outlined in the Meros License Agreement; (iii) 3.7% of worldwide proceeds of net sales that Cardiol receives from the licensed technology in relation to human and animal cardiovascular and/or cardiopulmonary disease, heart failure, and/or cardiac arrhythmia diagnosis and/or treatments using the drugs outlined in the Meros License Agreement; and (iv) 5% of any non-royalty sub license income that Cardiol receives in relation to any human and animal heart disease, heart failure and/or arrhythmias indications as outlined in the Meros License Agreement. In addition, as part of the consideration under the Meros License Agreement, Cardiol (i) issued to Meros 1,020,000 common shares; (ii) issued to Meros 1,020,000 special warrants convertible automatically into common shares for no additional consideration upon the first patient being enrolled in a Phase 1 clinical trial as described in the Meros License Agreement.

6. Convertible debt

On January 31, 2017, the Company issued a convertible debenture with a face value of $400,000. The debenture bore interest at 3% per annum, calculated and payable monthly, and was to mature on January 31, 2020. In January 2019, the debenture was converted into 2,700,000 Class A common shares.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 40%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the debentures comprised the value of the conversion option, being the difference between the face value of the debentures and the liability element calculated above. Based on this calculation, the liability component was $140,537 and the residual equity component was $259,463. Accretion charges attributable to the debentures for the three months ended March 31, 2019 was $621 (three months ended March 31, 2018 - $16,705). These amounts were added to the liability component on the statements of financial position and are included in accretion and interest on convertible debentures expense on the unaudited condensed interim statements of loss and comprehensive loss.

On conversion of the debenture, the liability and equity components of the debenture were transferred to share capital (see note 7).

(Expressed in Canadian Dollars)

7. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of Class A common shares. The Class A common shares do not have a par value. All issued shares are fully paid.

b) Class A common shares issued

	Number of common shares	Amount
Balance, December 31, 2017 and March 31, 2018	15,113,100	$ 4,255,389
Balance, December 31, 2018	22,726,712	$ 36,722,454
Convertible debentures conversion (i)	2,700,000	529,300
Initial public offering - Common shares(ii)	374,544	1,730,393
Share issuance costs (ii)	-	(162,403)
Balance, March 31, 2019	25,801,256	$ 38,819,744

(i) On January 2, 2019, the Company issued 2,700,000 common shares on conversion of a convertible debenture, (see note 6). On the conversion, the liability and equity components of the debenture of $269,837 and $259,463, respectively, were allocated to share capital.

(ii) On January 18, 2019, the Company issued 374,544 common shares at $4.62 per share for gross proceeds of $1,730,393 under the over-allotment option granted to the Underwriters on the IPO.

The Underwriters were paid cash fees of $103,824 and 22,472 compensation warrants. Each compensation warrant entitles the holder to acquire one common share of the Company at $5.00 for a period of 12 months from closing. The grant date fair value of $58,579 was assigned to the compensation warrants issued as estimated by using a fair value market technique incorporating the Black-Scholes option pricing model, using the following assumptions: a risk-free interest rate of 1.90%; an expected volatility factor of 132%; an expected dividend yield of 0%; and an expected life of 1 year.

8. Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX, under which the Board of Directors of the Company may grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase common shares provided the number of shares reserved for issuance under the stock option plan shall not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to ten years from the date of grant. The Board of Directors determines the price per common share and the number of common shares which may be allotted to directors, officers, employees, and consultants, and all other terms and conditions of the option, subject to the rules of the TSX.

(Expressed in Canadian Dollars)

8. Stock options (continued)

	Number of stock options
Balance, December 31, 2017 and March 31, 2018	-
Balance, December 31, 2018	820,000
Issued (i)(ii)	435,000
Cancelled	(40,000)
Balance, March 31, 2019	1,215,000

(i) On January 3, 2019, the Company granted 150,000 stock options to a certain officer of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $4.30 and expires on January 2, 2026. The options vested on grant. A grant date fair value of $593,221 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk-free rate of 1.76%; expected life of 7 years; and an expected volatility of 130% (based on similar companies). During the three months ended March 31, 2019, $593,221 was included in share-based compensation.

(ii) On January 24, 2019, the Company granted 285,000 stock options to certain employees and consultants of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $5.34. 125,000 stock options expire July 24, 2020 and vest 25% every three months from the grant date. 100,000 stock options expire January 24, 2024 and vest 25% every three months from the grant date. 60,000 stock options expire January 24, 2026 and vest 1/3 each on the first, second and third anniversaries of the grant date.

As the value of services obtained from the consultants could not be estimated reliably, the value of the options to consultants was determined by the fair value of the options granted. A total grant date fair value of $1,141,400 was estimated for employee and consultant options using the Black-Scholes option pricing model, based on the following weighted average assumptions: expected dividend yield of 0%; risk-free rate of 1.87%; expected life of 3.89 years; and an expected volatility of 130% (based on similar companies). During the three months ended March 31, 2019, $354,382 was included in share-based compensation.

The following table reflects the actual stock options issued and outstanding as of March 31, 2019:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
July 24,2020	5.34	1.32	125,000	-
January 24, 2024	5.34	4.82	100,000	-
August 16, 2025	5.00	6.63	200,000	200,000
August 30, 2025 (1)	5.00	6.42	580,000	-
January 2, 2026	4.30	6.76	150,000	150,000
January 24, 2026	5.34	6.82	60,000	-
	4.99	5.82	1,215,000	350,000

(1) Subsequent to March 31, 2019, 20,000 stock options were vested immediately.

(Expressed in Canadian Dollars)

9. Warrants

	Number of warrants	Amount
Balance, December 31, 2017 and March 31, 2018	-	$ -
Balance, December 31, 2018	4,378,544	$ 1,593,608
Issued (note 7 (ii))	22,472	58,579
Balance, March 31, 2019	4,401,016	$ 1,652,187

The following table reflects the actual warrants issued and outstanding as of March 31, 2019, excluding 1,020,000 special warrants convertible automatically into common shares for no additional consideration in accordance with the original escrow release terms as described in the Meros License Agreement (see note 5):

Expiry date	Exercise price ($)	Remaining contractual life (years)	Warrants exercisable
December 20, 2019 (1)	5.00	0.72	180,000
January 18, 2020 (1)	5.00	0.80	22,472
December 20, 2020	6.50	1.73	3,374,544
August 31, 2022	4.00	3.39	824,000
	5.96	1.99	4,401,016

(1) Subsequent to March 31, 2019, 67,440 warrants, with an expiry of December 20, 2019, and 8,990 warrants, with an expiry of January 18, 2020, were exercised for total proceeds of $382,150.

10. Loss per share

For the three months ended March 31, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $3,490,862 (three months ended March 31, 2018 - $551,633) and the weighted average number of common shares outstanding of 25,666,347 (three months ended March 31, 2018 - 15,113,100). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

11. Commitments

(i) The Company has leased premises with third parties, the majority of which do not come into effect until June 2019. The minimum committed lease payments are approximately as follows:

2019	$ 67,642
2020	102,319
2021	103,761
2022	105,780
2023	107,222
Thereafter	44,676
	$ 531,400

(Expressed in Canadian Dollars)

11. Commitments (continued)

(ii) The Company has signed various agreements with consultants to provide services. Under the agreements, the Company has the following remaining commitments.

2019	$ 805,147
2020	20,000
	$ 825,147

(iii) Cardiol entered into a development agreement (the "Caro Development Agreement") with the Clinical Academic Research Organization, S.A. DE C.V. ("Caro") dated August 28, 2018, to further research and development of proprietary drug formulations for the treatment of heart failure. Caro is a Mexican corporation dedicated to providing clinical and scientific experimentation and consulting, as well as performing development activities by itself or through third-party providers.

Pursuant to the terms of the Caro Development Agreement, Caro will provide scientific experimentation, research activities, medical drug development activities, and medical drug formulation and discovery to Cardiol (the "Development Activities"), as set out in a development plan (the "Development Plan"). Under the Caro Development Agreement, Caro may also engage third-party providers of development activities in support of the Development Plan, which is anticipated to be limited to third-party vendors of materials.

Pursuant to the terms of the Caro Development Agreement, Cardiol will immediately upon execution of the Caro Development Agreement allot and set aside 824,000 Class A Common Shares of Cardiol, and issue to Caro 824,000 warrants (the "Caro Compensation Warrants"), each warrant having the following qualifications: (i) an expiry date of August 31, 2022, or such earlier date as may be specified by a relevant stock exchange; (ii) an exercise price of $4 per share (to be settled through the issuance of invoices by Caro); and (iii) each of the Caro Compensation Warrants entitles Caro to purchase one Class A Common Share of Cardiol for the exercise price. Cardiol also further agreed to pay Caro US$400,000 in cash (paid during the three months ended March 31, 2019).

Pursuant to the terms of the Caro Development Agreement, both Cardiol and Caro may terminate the Caro Development Agreement if either party believes in good faith that the continued performance of the Development Activities may be commercially unwise, jeopardize safety, or otherwise be unethical or illegal. However, if Caro terminates the Caro Development Agreement for any reason except breach of contract by Cardiol, or terminates the development activities under the contract prior to achievement of all milestones in the Development Plan, then any unexercised Caro Compensation Warrants that are not related to Development Activities and milestones in the Development Plan that have been attained up to the time of termination of the Caro Development Agreement shall be deemed terminated as of the time of termination of the Caro Development Agreement. Further, if Cardiol terminates the Caro Development Agreement for any reason (including breach of contract by Caro), or requires Caro to terminate the Development Activities prior to achievement of all milestones in the Development Plan, then the Caro Compensation Warrants issued to Caro that can be invoiced for the CARO Development Activities completed up to the time of termination shall be considered to have been earned notwithstanding such termination. The CARO Compensation Warrants that cannot be exercised (because invoices for CARO Development Activities not completed cannot be issued) will be deemed terminated, null and void as of termination.

(iv) Cardiol entered into an exclusive supply agreement (the "Noramco Exclusive Supply Agreement") with Noramco, Inc. ("Noramco") dated September 28, 2018, as amended on December 7, 2018, and as further amended on December 11, 2018, pursuant to which Noramco will be the exclusive supplier of pharmaceutical cannabidiol for Cardiol. Noramco is a Georgia corporation engaged in the business of manufacturing and selling active pharmaceutical ingredients.

(Expressed in Canadian Dollars)

11. Commitments (continued)

(iv) (continued) Pursuant to the terms of the Noramco Exclusive Supply Agreement, Cardiol paid Noramco a non-recoupable payment of US$3,000,000 (the "Exclusivity Payment"). The Exclusivity Payment will continue to be credited towards purchases during 2019. Cardiol, in its sole discretion, may choose to make minimum annual purchases in order to maintain its exclusive rights under the terms of the Noramco Exclusive Supply Agreement.

Noramco shall not sell pharmaceutical cannabidiol to any third party for use in the production of products in Canada and Mexico (the "Territory"), or to any third party for delivery of products of any kind into the Territory. Notwithstanding this restriction, Noramco shall have the right to sell pharmaceutical cannabidiol to third parties outside Canada for use in products that are approved as prescription medicines by the Therapeutic Products Directorate of Health Canada for delivery into Canada.

The Noramco Exclusive Supply Agreement expires on December 31, 2038, subject to certain renewal provisions.

(v) Pursuant to the terms of agreements with various other contract research organizations, the Company is committed for contract research services for 2019 at a cost of approximately $85,021.

12. Related party transactions

(a) The Company entered into the following transactions with related parties:

(i) Included in research and development expense is $162,310 for the three months ended March 31, 2019 (three months ended March 31, 2018 - $nil) paid to a company related to a director. As at March 31, 2019, $149,804 (December 31, 2018 - $9,852) was owed to this company and this amount was included in accounts payable and accrued liabilities, and $119,931 and $35,040 (December 31, 2018 - $nil) was prepaid to this company and was included in prepaid expenses and inventory, respectively.

(ii) Included in administration is $50,000 for the three months ended March 31, 2019 (three months ended March 31, 2018 - $35,000) paid to a company related to a director. As at March 31, 2019 $20,000 (December 31, 2018 - $11,300) is included in prepaid expenses.

(iii) Included in administration is $nil (three months ended March 31, 2018 - $40,000) paid to a company controlled by the former Chief Financial Officer of the Company. As at March 31, 2019, $nil (December 31, 2018 - $9,900) was owed to this company and this amount was included in accounts payable and accrued liabilities.

(b) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of directors and key management personnel of the Company, except as noted in (a) above, was as follows:

	Three Months Ended March 31, 2019	**Three Months Ended March 31, 2018**
Salaries and benefits	**$ 291,432**	$ 50,000
Share-based payments	**792,998**	-
	$ 1,084,430	$ 50,000

As at March 31, 2019, $3,622 (December 31, 2018 - $134,138) was owed to key management personnel and this amount was included in accounts payable and accrued liabilities.

13. Subsequent events

(i) Subsequent to March 31, 2019, the Company granted 140,000 stock options to certain officers and consultants of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $5.77 and expires on April 1, 2026. The options vest 1/3 each on the first, second and third anniversaries of the grant date.

(ii) Subsequent to March 31, 2019, the Company granted 60,000 stock options to a certain officer of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $5.42 and expires on April 4, 2026. The options vest 1/3 each on the first, second and third anniversaries of the grant date.