CARDIOL THERAPEUTICS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2019

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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

	As at June 30, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**$ 12,455,388**	$ 16,731,500
Interest receivable	**21,114**	34,091
Other receivables	**431,127**	426,689
Prepaid expenses (note 13)	**392,074**	488,839
Prepaid inventory (note 12(iv))	**5,084,199**	6,345,525
Inventory (note 13)	**1,243,339**	-
Total current assets	**19,627,241**	24,026,644
Non-current assets		
Equipment (note 4)	**317,822**	25,551
Intangible assets (note 6)	**590,356**	632,578
Total assets	**$ 20,535,419**	$ 24,684,773
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	**$ 746,882**	$ 2,141,398
Current portion of lease liability (note 5)	**48,742**	-
Total current liabilities	**795,624**	2,141,398
Non-current liabilities		
Convertible debentures (note 7)	**-**	269,216
Lease liability (note 5)	**154,456**	-
Total liabilities	**950,080**	2,410,614
Equity (deficiency)		
Share capital (note 8)	**39,413,506**	36,722,454
Warrants (note 10)	**1,481,133**	1,593,608
Equity portion of convertible debentures (note 7)	**-**	259,463
Contributed surplus (note 9)	**3,378,859**	1,253,295
Deficit	**(24,688,159)**	(17,554,661)
Total equity (deficiency)	**19,585,339**	22,274,159
Total equity (deficiency) and liabilities	**$ 20,535,419**	$ 24,684,773

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

Commitments (notes 6 and 12)
Subsequent event (note 14)

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 June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating expenses (note 13)				
Administration	**$ 813,674**	$ 322,502	**$ 1,412,530**	$ 487,459
Depreciation of equipment (note 4)	**16,375**	1,340	**18,685**	2,680
Amortization of intangible assets (note 6)	**21,111**	21,111	**42,222**	42,222
Accretion and interest on convertible debentures (note 7)	**-**	108,041	**621**	126,746
Investor relations and promotions	**688,290**	41,038	**1,354,028**	71,363
Research and development	**748,481**	548,262	**1,261,226**	804,485
Salaries and benefits	**541,488**	315,342	**926,922**	376,120
Transfer agent and regulatory	**56,272**	-	**111,383**	-
Share-based compensation (note 9)	**867,906**	-	**2,125,564**	-
Loss before other income (expenses)	**(3,753,597)**	(1,357,636)	**(7,253,181)**	(1,911,075)
Interest income	**66,794**	1,841	**143,159**	3,647
Loss on foreign exchange	**(35,628)**	(2,485)	**(103,271)**	(2,485)
Other income	**79,795**	-	**79,795**	-
Net loss and comprehensive loss for the period	**$ (3,642,636)**	$ (1,358,280)	**$ (7,133,498)**	$ (1,909,913)
Basic and diluted net loss per share (note 11)	**$ (0.14)**	$ (0.09)	**$ (0.28)**	$ (0.13)
Weighted average number of common shares outstanding	**25,864,396**	15,113,100	**25,765,919**	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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating activities		
Net loss and other comprehensive loss for the period	**$ (7,133,498)**	$ (1,909,913)
Adjustments for:		
Depreciation of equipment	**18,685**	2,680
Amortization of intangible assets	**42,222**	42,222
Share-based compensation	**2,125,564**	-
Accretion on convertible debentures	**621**	35,343
Financing costs	**-**	69,430
Accretion on lease liability	**2,879**	-
Changes in non-cash working capital items:		
Interest receivable	**12,977**	3,663
Other receivables	**(4,438)**	(50,467)
Prepaid expenses	**96,765**	(40,949)
Prepaid inventory	**1,261,326**	-
Inventory	**(1,243,339)**	-
Accounts payable and accrued liabilities	**(1,394,516)**	971,438
Net cash used in operating activities	**(6,214,752)**	(876,553)
Investing activities		
Purchase of equipment	**(110,637)**	-
Advances to a shareholder	**-**	(58,125)
Net cash used in investing activities	**(110,637)**	(58,125)
Financing activities		
Issuance of convertible debentures, net of issuance costs	**-**	9,756,978
Proceeds from initial public offering, net of commission	**1,667,127**	-
Proceeds from warrants exercised	**382,150**	-
Net cash provided by financing activities	**2,049,277**	9,756,978
Net change in cash and cash equivalents	**(4,276,112)**	8,822,300
Cash and cash equivalents, beginning of period	**16,731,500**	2,356,524
Cash and cash equivalents, end of period	**$ 12,455,388**	$ 11,178,824

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	-	-	-	-	-	(1,909,913)	(1,909,913)
Balance, June 30, 2018	**15,113,100**	**$ 4,255,389**	**$ -**	**$ -**	**$ 259,463**	**$ (3,570,839)**	**$ 944,013**
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	-	(121,845)	58,579	-	-	-	(63,266)
Warrants exercised	76,430	382,150	-	-	-	-	382,150
Fair value of warrants exercised	-	171,054	(171,054)	-	-	-	-
Convertible debentures conversion	2,700,000	529,300	-	-	(259,463)	-	269,837
Share-based compensation	-	-	-	2,125,564	-	-	2,125,564
Net loss and comprehensive loss for the period	-	-	-	-	-	(7,133,498)	(7,133,498)
Balance, June 30, 2019	**25,877,686**	**$ 39,413,506**	**$ 1,481,133**	**$ 3,378,859**	**$ -**	**$ (24,688,159)**	**$ 19,585,339**

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's registered and legal office is located at 2275 Upper Middle Rd. E., Suite 101, Oakville, Ontario, L6H 0C3, Canada.

The Company is focused on producing pharmaceutical cannabidiol ("CBD") and developing innovative therapies for heart disease, including acute myocarditis and other causes of heart failure. The Company is also developing proprietary nanotechnology to deliver pharmaceutical CBD and other anti-inflammatory drugs directly to sites of inflammation in the heart that are associated with the development and progression of heart failure.

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". On May 30, 2019, the Company also began trading on the OTCQX Best Market under the symbol "CRTPF".

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 August 9, 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 impact on transition on the Company's unaudited condensed interim financial statements as the Company elected to apply IFRS 16 to short-term leases less than twelve months in length. See note 5 for the current period impact of IFRS 16.

(Expressed in Canadian Dollars)

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.

4. Property and equipment

Cost	Right-of-use asset	Equipment	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	200,319	91,500	5,607	-	13,530	310,956
Balance, June 30, 2019	$ 200,319	$ 91,500	$ 5,607	$ 3,129	$ 46,135	$ 346,690

Accumulated Depreciation	Right-of-use asset	Equipment	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	6,638	6,862	-	225	4,960	18,685
Balance, June 30, 2019	$ 6,638	$ 6,862	$ -	$ 1,101	$ 14,267	$ 28,868

Carrying value	Right-of-use asset	Equipment	Leasehold improvements	Office equipment	Computer equipment	Total
Balance, December 31, 2018	$ -	$ -	$ -	$ 2,253	$ 23,298	$ 25,551
Balance, June 30, 2019	$ 193,681	$ 84,638	$ 5,607	$ 2,028	$ 31,868	$ 317,822

Right-of-use asset is depreciated on a straight-line basis over the 5 year term of the lease. Equipment is depreciated at a rate of 30% per annum. No depreciation is recorded for leasehold improvements during the six months ended June 30, 2019 as the asset is not available for use.

5. Lease liability

	Carrying Value
Balance, December 31, 2018	$ -
Additions (i)	200,319
Accretion	2,879
Balance, June 30, 2019	$ 203,198

(i) When measuring the lease liability for the property lease that was classified as an operating lease, the Company discounted the lease payments using its incremental borrowing rate. The property lease expires on May 31, 2024 and the lease payments were discounted with a 9% interest rate.

(Expressed in Canadian Dollars)

6. Intangible assets

Cost	**Exclusive global license agreement**
Balance, December 31, 2017, December 31, 2018 and June 30, 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	42,222
Balance, June 30, 2019	$ 176,872

Carrying Value	**Exclusive global license agreement**
Balance, December 31, 2018	$ 632,578
Balance, June 30, 2019	$ 590,356

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:

(a) 5% of worldwide proceeds of net sales of the licensed technologies containing cannabinoids, excluding non-royalty sub license income in (b) below, that Cardiol receives from human and animal disease indications and derivatives as outlined in the Meros License Agreement;

(b) 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;

(c) 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, excluding cannabinoids included in (a) above, outlined in the Meros License Agreement; and

(d) 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, excluding cannabinoids included in (b) above, as outlined in the Meros License Agreement.

(Expressed in Canadian Dollars)

6. Intangible assets (continued)

Exclusive global agreement ("Meros License Agreement") (continued)

In addition, as part of the consideration under the Meros License Agreement, Cardiol (i) issued to Meros 1,020,000 common shares; and (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.

7. 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 six months ended June 30, 2019 was $621 (six months ended June 30, 2018 - $35,343). 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 8).

8. 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 June 30, 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)	-	(121,845)
Warrants exercised (note 10)	76,430	382,150
Fair value of warrants exercised (note 10)	-	171,054
Balance, June 30, 2019	25,877,686	$ 39,413,506

(Expressed in Canadian Dollars)

8. Share capital (continued)

b) Class A common shares issued (continued)

(i) On January 2, 2019, the Company issued 2,700,000 common shares on conversion of a convertible debenture, (see note 7). 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.

9. 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.

	Number of stock options
Balance, December 31, 2017 and June 30, 2018	-
Balance, December 31, 2018	820,000
Issued (i), (ii), (iii), (iv)	635,000
Cancelled	(40,000)
Balance, June 30, 2019	1,415,000

(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 and six months ended June 30, 2019, $nil and $593,221, respectively, were 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.

(Expressed in Canadian Dollars)

9. Stock options (continued)

(ii) (continued) 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 and six months ended June 30, 2019, $331,057 and $685,439, respectively, were included in share-based compensation.

(iii) On April 2, 2019, the Company granted 140,000 stock options to certain officers 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. A grant date fair value of $742,536 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 1.58%; expected life of 7 years; and an expected volatility of 130% (based on similar companies). During the three and six months ended June 30, 2019, $110,421 was included in share-based compensation.

(iv) On April 5, 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. A grant date fair value of $298,954 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 1.61%; expected life of 7 years; and an expected volatility of 130% (based on similar companies). During the three and six months ended June 30, 2019, $42,958 was included in share-based compensation.

The following table reflects the actual stock options issued and outstanding as of June 30, 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	1.07	125,000	-
January 24, 2024	5.34	4.57	100,000	-
August 16, 2025	5.00	6.13	200,000	200,000
August 30, 2025 (1)	5.00	6.17	580,000	20,000
January 2, 2026	4.30	6.52	150,000	150,000
January 24, 2026	5.34	6.58	60,000	-
April 1, 2026	5.77	6.76	140,000	-
April 4, 2026	5.42	6.77	60,000	-
	5.09	5.74	1,415,000	370,000

(1) On April 2, 2019, the vesting for 20,000 stock options previously issued was accelerated to vest immediately.

(Expressed in Canadian Dollars)

10. Warrants

	Number of warrants	Amount
Balance, December 31, 2017 and June 30, 2018	-	$ -
Balance, December 31, 2018	4,378,544	$ 1,593,608
Issued (note 8 (ii))	22,472	58,579
Exercised	(76,430)	(171,054)
Balance, June 30, 2019	4,324,586	$ 1,481,133

The following table reflects the actual warrants issued and outstanding as of June 30, 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 6):

Expiry date	Exercise price ($)	Remaining contractual life (years)	Warrants exercisable
December 20, 2019	5.00	0.47	112,560
January 18, 2020	5.00	0.55	13,482
December 20, 2020	6.50	1.48	3,374,544
August 31, 2022	4.00	3.15	824,000
	5.98	1.77	4,324,586

11. Loss per share

For the three and six months ended June 30, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $3,642,636 and $7,133,498, respectively (three and six months ended June 30, 2018 - $1,358,280 and $1,909,913, respectively) and the weighted average number of common shares outstanding of 25,864,396 and 25,765,919, respectively (three and six months ended June 30, 2018 - 15,113,100 and 15,113,100, respectively). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

12. Commitments

(i) The Company has leased premises with third parties. The minimum committed lease payments, which include the lease liability payments, are approximately as follows:

2019	$ 66,272
2020	102,319
2021	103,761
2022	105,780
2023	107,222
Thereafter	44,676
	$ 530,030

(Expressed in Canadian Dollars)

12. Commitments (continued)

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

2019	$ 873,848
2020	39,583
	$ 913,431

(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 six months ended June 30, 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, December 11, 2018, and July 2, 2019, 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)

12. 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 represents a prepayment for inventory and is being credited towards purchases. 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 $161,072.

13. Related party transactions

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

(i) Included in research and development expense is $201,653 and $363,963, respectively, for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - $37,000) paid to a company related to a director. As at June 30, 2019, $114,085 (December 31, 2018 - $9,852) was owed to this company and this amount was included in accounts payable and accrued liabilities, and $20,277 and $35,040 (December 31, 2018 - $nil) was paid to this company and was included in prepaid expenses and inventory, respectively.

(ii) Included in administration is $60,000 and $110,000, respectively, for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - $45,000 and $80,000, respectively) paid to a company related to a director. As at June 30, 2019, $20,000 (December 31, 2018 - $11,300) is included in prepaid expenses.

(iii) Included in administration is $nil (three and six months ended June 30, 2018 - $25,000 and $65,000, respectively) paid to a company controlled by the former Chief Financial Officer of the Company. As at June 30, 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 June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Salaries and benefits	**$ 281,402**	$ 263,667	**$ 572,834**	$ 313,667
Share-based payments	**285,104**	-	**1,078,102**	-
	$ 566,506	$ 263,667	**$ 1,650,936**	$ 313,667

13. Related party transactions (continued)

As at June 30, 2019, $61,435 (December 31, 2018 - $134,138) was owed to key management personnel and this amount was included in accounts payable and accrued liabilities.

14. Subsequent event

(i) Subsequent to June 30, 2019, the Company announced that it is planning a clinical trial in acute myocarditis utilizing its CardiolRx cannabidiol formulation.