NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general meeting (the "**Meeting**") of the holders (the "**Shareholders**") of all of the issued and outstanding Class A common shares ("**Common Shares**") in the capital of Cardiol Therapeutics Inc. (the "**Corporation**" or "**Cardiol**") will be held at Vantage Venues, 150 King Street West, 27th Floor, Toronto, ON, M5H 1J9, on June 12, 2019, at 9:00 a.m. (EDT) for the following purposes:

1. to receive the audited financial statements of the Corporation for the fiscal year ended December 31, 2018;

2. to elect directors of the Corporation;

3. to appoint BDO Canada LLP as auditors of the Corporation for the current fiscal year ending December 31, 2019, and to authorize the directors of the Corporation to fix the auditors' remuneration; and

4. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Shareholders must return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays, and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof.

Voting

The Board of Directors of the Corporation has fixed the close of business on April 23, 2019 as the record date (the "**Record Date**") for the purpose of determining Shareholders entitled to receive notice of, and vote at, the Meeting. The failure of any Shareholder to receive notice of the Meeting does not deprive such Shareholder of the right to vote at the Meeting. Only Shareholders of record at the close of business on April 23, 2019 are entitled to vote at the Meeting.

All Shareholders are invited to attend the Meeting and may attend in person or may be represented by proxy. A "beneficial" or "non-registered" Shareholder will not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his/her/its broker; however, a beneficial Shareholder may attend the Meeting as proxyholder for a registered Shareholder and vote the common shares in that capacity. Only Shareholders as of the Record Date are entitled to receive notice of and vote at the Meeting. Shareholders who are unable to attend the Meeting in person, or any adjournments or postponements thereof, are requested to complete, date, and sign the form of proxy (registered holders) or voting instruction form (beneficial holders).

SHAREHOLDERS ARE REMINDED TO REVIEW THE CIRCULAR BEFORE VOTING.

Dated at Oakville, Ontario, on May 10, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "David Elsley"
Director, President and Chief Executive Officer

CARDIOL THERAPEUTICS INC.

2275 Upper Middle Road East, Suite 101,
Oakville, ON, Canada, L6H 0C3
Telephone: (905) 491-6793

MANAGEMENT INFORMATION CIRCULAR

FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

(Containing Information as at April 23, 2019, unless otherwise stated)

SOLICITATION OF PROXIES

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of the Corporation for use at the annual general meeting (the "Meeting") of Shareholders of Class A common shares without par value in the capital of the Corporation (the "Shares"), to be held on Wednesday, the 12th day of June, 2019, at the time and place and for the purposes set forth in the accompanying notice of meeting (the "Notice") and at any adjournment or postponement thereof. It is expected that the solicitation of proxies on behalf of management will be primarily by mail; however, proxies may be solicited personally or by telephone by the regular officers, employees, or agents of the Corporation. The cost of soliciting proxies on behalf of management will be borne by the Corporation. The Corporation may also reimburse brokers and other persons holding Shares in their names or in the name of nominees, for their costs incurred in sending proxy materials to beneficial owners and obtaining their proxies or voting instructions.

APPOINTMENT OF PROXIES

The persons named in the accompanying form of proxy (the "**Proxy**") are representatives of management of the Corporation and are directors and/or officers of the Corporation (the "**Management Representatives**"). **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM/HER/IT ON HIS/HER/ITS BEHALF AT THE MEETING OTHER THAN THE MANAGEMENT REPRESENTATIVES NAMED IN THE ENCLOSED PROXY. TO EXERCISE THIS RIGHT, A SHAREHOLDER MAY STRIKE OUT THE NAMES OF THE MANAGEMENT REPRESENTATIVES NAMED IN THE PROXY AND INSERT THE NAME OF HIS/HER/ITS NOMINEE IN THE BLANK SPACE PROVIDED, OR COMPLETE ANOTHER PROXY. A PROXY WILL NOT BE VALID UNLESS IT IS DEPOSITED WITH COMPUTERSHARE, AT 100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO, M5J 2Y1, NOT LESS THAN 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS, AND HOLIDAYS) BEFORE THE TIME OF THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF. ALTERNATIVELY, PROXIES MAY BE FAXED TO 1-866-249-7775 (TOLL-FREE) BY SUCH TIME, IN WHICH EVENT ALL PAGES OF A PROXY SHOULD BE RETURNED.**

The Proxy must be signed by the Shareholder or by his/her attorney in writing, or, if the Shareholder is a corporation, it must either be under its common seal or signed by a duly authorized officer.

NON-REGISTERED HOLDERS

Only those Shareholders whose names appear on the securities register of the Corporation (the "**Registered Shareholders**"), or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

(a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Shares, such as, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or

(b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), the Corporation has distributed copies of this Circular, the Notice, the MD&A, and the Financial Statements (together, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. The Corporation has agreed to pay to distribute the Meeting Materials to "objecting beneficial owners" (as defined in NI 54-101).

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Intermediaries will often use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

A. be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone); or

B. be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Shares beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. This Proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a Proxy should otherwise properly complete the form of Proxy and deposit it with Computershare, as described above.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Shares they beneficially own. Should a Non-Registered Holder who receives either a Proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the Proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.***

REVOCATION

A Registered Shareholder who has given a Proxy may revoke the Proxy by:

(a) completing and signing a Proxy bearing a later date and depositing it with Computershare as described above;

(b) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing: (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement of the Meeting, at which the Proxy is to be used, or (ii) with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment or postponement of the Meeting; or

(c) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary may not be required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

VOTING OF PROXIES

The Management Representatives designated in the enclosed Proxy will vote or withhold from voting the Shares in respect of which they are appointed by Proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the Proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. **In the absence of such instructions, such Shares will be voted by the Management Representatives: (i) FOR the election of each of the individual nominees named in this Circular as directors of the Corporation; and (ii) FOR the appointment of BDO Canada LLP, Chartered Professional Accountants, Markham, Ontario, as auditors of the Corporation and the authorization of the directors of the Corporation to fix the auditors' remuneration.**

The enclosed Proxy confers discretionary authority upon the Management Representatives designated in the Proxy with respect to amendments to or variations of matters identified in the notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Circular, management of the Corporation know of no such amendments, variations, or other matters.

Voting by proxy may also occur over the Internet. The enclosed Proxy or voting instruction form you may receive from your broker or other intermediary contains details on how to vote over the Internet.

ADVANCE NOTICE REQUIREMENT

Pursuant to the Corporation's By-law No. 1, as amended ("**By-law No. 1**"), a Shareholder wishing to nominate an individual to be a director, other than pursuant to a requisition of a meeting made pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**") or a shareholder proposal made pursuant to the provisions of the OBCA, is required to comply with the advance notice requirement as set out in By-law No. 1 (the "**Advance Notice Requirement**"). Among other things, the Advance Notice Requirement fixes a deadline by which Shareholders must provide notice to the Corporation of nominations for election to the Board of Directors of the Corporation (the "**Board**" or the "**Board of Directors**"). The notice must include all information that would be required to be disclosed, under applicable corporate and securities laws, in a dissident proxy circular in connection with the solicitations of proxies for the election of directors relating to the Shareholder making the nominations (as if that Shareholder were a dissident soliciting proxies) and

each person that the Shareholder proposes to nominate for election as a director. In addition, the notice must provide information as to the shareholdings of the Shareholder making the nominations, confirmation that the proposed nominees meet the qualifications of directors and residency requirements imposed by corporate law, and confirmation as to whether each proposed nominee is independent for the purposes of National Instrument 52-110 – *Audit Committees* ("**NI-52-110**"). The deadline by which the notice must be delivered to the Corporation is set out in the table below.

Meeting Type	**Nomination Deadline**
Annual meeting of Shareholders	Either (a) no more than 10 days after the date of the first public filing or announcement of the date of the meeting, if the meeting is called for a date that is fewer than 50 days after the date of that public filing or announcement or (b) no fewer than 30 days and no more than 65 days prior to the date of the meeting.
Special meeting of Shareholders (which is not also an annual meeting)	No more than 15 days after the date of the first public filing or announcement of the date of the meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Corporation consists of an unlimited number of Shares. The record date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed at April 23, 2019 (the "**Record Date**"). As at the Record Date, the Corporation had 25,877,686 Shares issued and outstanding.

Each Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. All such holders of record of Shares on the Record Date are entitled either to attend and vote in person the Shares held by them or, provided a completed and executed proxy shall have been delivered to the Corporation's transfer agent, Computershare Investor Services Inc., within the time specified in the Notice of Meeting, to attend and to vote by proxy the Shares held by them.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to all outstanding Shares, other than as set out below:

Name of Shareholder	**Number of Shares(1)(2)**	**Percentage of Shares(1)(2)**
David Elsley	2,700,000	10.4%

Notes:

(1) The information as to Shares beneficially owned, controlled, or directed, not being within the knowledge of the Corporation, has been obtained by the Corporation from publicly disclosed information and/or furnished by the Shareholder listed above.

(2) On a non-diluted basis.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed herein, none of:

(a) the directors or executive officers of the Corporation at any time since the beginning of the last financial year of the Corporation;

(b) the proposed nominees for election as a director of the Corporation; or

(c) any associate or affiliate of the foregoing persons,

has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

PARTICULARS OF MATTERS TO BE ACTED UPON

ELECTION OF DIRECTORS

Our articles (the "**Articles**") provide that our Board of Directors is to consist of a minimum of one and a maximum of ten directors as determined from time to time by the Directors. The Articles also provide that the Board of Directors has the power to appoint additional directors: in accordance with the Articles and the OBCA, the Board of Directors may appoint one or more additional directors who shall hold office until the close of the next annual meeting of Shareholders, provided that the total number of directors so appointed does not exceed one-third of the number of directors elected at the previous annual meeting of Shareholders.

Our Board currently consists of seven directors: Dr. Eldon R. Smith, Peter Pekos, David Elsley, Terry Lynch, Deborah Brown, Dr. Guillermo Torre-Amione, and Iain Chalmers, each of whom are being nominated for election at the Meeting (the "**Nominees**").

The Board recommends that Shareholders vote in favour of the seven proposed Nominees. Shareholders have the option to (i) vote for all of the Nominees; (ii) vote for some of the Nominees and withhold for others; or (iii) withhold for all of the Nominees. Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Shares represented by such Proxy are to be withheld or voted otherwise, the Management Representatives named in the accompanying Proxy will vote FOR the election of each of the Nominees.

Each Director is elected annually and holds office until the next annual meeting of Shareholders or, if his or her office is earlier vacated, until his or her successor is duly approved in accordance with the Articles.

Information Concerning the Nominees

The following table sets out the names of the Nominees nominated by Management for election as a Director, the province or state and country in which he or she is ordinarily resident, the positions and offices which each presently holds with the Corporation, the period of time for which he or she has been a Director of the Corporation, their respective principal occupations or employment and the number of Shares which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Circular. The information as to Shares beneficially owned, directly or indirectly or over which control or direction is exercised, not being with the knowledge of the Corporation, has been furnished by the respective Nominees individually.

The Nominees for the election to the Board, and information concerning them as furnished by the individual Nominees, are as follows:

Name, Province and Country of Ordinary Residence and Positions Held with the Corporation	Present Principal Occupation and/or Past Principal Occupation Within the Previous Five Years	Director Since[6]	No. of Shares Beneficially Owned, Directly or Indirectly
David Elsley Ontario, Canada President & CEO Director	President and Chief Executive Officer of Cardiol since January 19, 2017. Self employed, investigating drug formulations that are the foundation of Cardiol's business (from 2013 to 2017)	January 19, 2017	2,700,000
Dr. Eldon R. Smith Alberta, Canada Chief Medical Officer Director	Chairman and Chief Medical Officer of Cardiol since January 19, 2017. President & CEO, Eldon R. Smith and Associates Ltd., a consulting company, and professor emeritus at the University of Calgary, Faculty of Medicine.	January 19, 2017	1,240,000
Deborah Brown[1][2][4][5] Ontario, Canada Director	Managing Partner of Accelera Canada Ltd., a specialty consultancy firm that assists emerging biopharma ventures in the United States and Europe with the development and implementation of Canadian market strategies; formerly with EMD Serono, an affiliate of Merck KGaA, from 1992 to 2014, including serving as Executive Vice-President of Neuroimmunology for the company's U.S. operations and President and Managing Director of the company's Canadian operations.	August 20, 2018	Nil
Iain Chalmers Ontario, Canada Chief Marketing Officer Director	Chief Marketing Officer of Cardiol since April 8, 2019. Professor of Marketing and Alcohol Business Management, Centennial College, Toronto. Previously, Vice-President of Marketing and Innovation for Diageo Canada (from 2008 to 2016).	August 20, 2018	Nil
Terry Lynch[1][2][3][5] Ontario, Canada Director	Chief Executive Officer of Chilean Metals Inc., a junior exploration company.	January 19, 2017	1,200,000
Peter Pekos[2][5] Ontario, Canada Director	President and Chief Executive Officer of Dalton Pharma Services ("**Dalton**"), a cGMP manufacturer of pharmaceuticals.	December 15, 2017	404,200
Dr. Guillermo Torre-Amione[1][5] Monterrey, Mexico Director	President of TecSalud del Tecnológico de Monterrey, Mexico, part of the Instituto Tecnológico y de Estudios Superiorers de Monterrey, Mexico. Previously, Chief of Heart Failure Division and Medical Director of Cardiac Transplantation, Houston Methodist DeBakey Heart & Vascular Center.	August 20, 2018	Nil

Notes:

(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Compensation Committee ("**CG&C Committee**").
(3) Chair of the Audit Committee.
(4) Chair of the CG&C Committee.
(5) Independent.
(6) Each current director's term expires at the Meeting.

Biographies of Directors

David Elsley, MBA – President, Chief Executive Officer, and Director

Mr. David Elsley, MBA, is a business leader with a proven track record of developing, financing, and managing all aspects of corporate development in biotechnology and high-growth organizations. In 1990, Mr. Elsley founded Vasogen Inc., a biotechnology company focused on the research and commercial development of novel therapeutics for the treatment of heart failure and other inflammatory conditions. Mr. Elsley assembled a team of management, directors, and scientific advisors comprising industry professionals and thought leaders from North America and Europe. He managed and directed Vasogen's growth from start-up to an organization employing over 250 people with operations and R&D programs in Canada, the United States, and Europe. Mr. Elsley established the research and development infrastructure, partnerships, manufacturing capability, and corporate quality systems necessary to advance two anti-inflammatory therapies from concept to completion of international multi-center pivotal phase III clinical trials involving 2,500 patients. Vasogen went public on the Toronto Stock Exchange ("**TSX**") and the Nasdaq, raising over $200 million to support corporate development and reached a market capitalization of over US$1 billion. Mr. Elsley holds a Master of Business Administration from the Ivey School of Business, University of Western Ontario.

Eldon R. Smith, OC, LLD (Hon), MD, FCAHS, FCCS, FRCPC – Chairman and Chief Medical Officer

Dr. Eldon Smith received his medical degree cum laude from Dalhousie University. Following Internal Medicine and Cardiology training in Canada, the UK, and the USA, he joined the Faculty at Dalhousie in 1973. In 1980, Dr. Smith became Head of Cardiology at the University of Calgary and the Foothills Hospital in Calgary; subsequently becoming Chairman of Medicine, Associate Dean for Clinical Affairs, and from 1992 to 1997, Dean of Medicine. From 1997 to 2010, he was Editor-in-Chief of the Canadian Journal of Cardiology. Dr. Smith has published more than 250 papers and has contributed to many organizations, including being President of the Canadian Cardiovascular Society and the Association of Canadian Medical Colleges. In 2006, the Federal government appointed him to Chair the Steering Committee for the Canadian Heart Health Strategy. Dr. Smith became an Officer of the Order of Canada in 2005 and in 2014 received an Honorary Doctor of Laws Degree from Dalhousie University. Over the past 20 years, Dr. Smith has been a Director of more than ten public companies focused on the biotech sector; among his roles are Chairman and Lead Director. Dr. Smith currently serves as Cardiol's Chief Medical Officer.

Guillermo Torre-Amione, MD, PhD – Director

Board certified in Cardiovascular Disease and Advanced Heart Failure/Transplant Cardiology, Dr. Guillermo Torre-Amione is former chief of the Heart Failure Division and former medical director of Cardiac Transplantation at the Houston Methodist DeBakey Heart & Vascular Center. He is a senior member at The Methodist Hospital Research Institute, full professor of medicine at the Weill Cornell Medical College of Cornell University, New York, and, more recently, became President of TecSalud, an

academic medical center and medical school of the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) in Mexico. Dr. Torre-Amione spearheads the Gene and Judy Campbell Laboratory for Cardiac Transplant Research, where his primary areas of research include heart failure, cardiac transplantation, and the role of the immune response in modulating the progression of heart failure. He initiated a series of clinical studies that led to an FDA-approved phase II clinical trial of neurostimulation in heart failure, a novel approach to the treatment of patients with advanced heart failure. Dr. Torre-Amione received his medical degree from the ITESM and a doctorate degree in immunology from the University of Chicago. He has published more than 170 manuscripts in peer-reviewed journals. He currently divides his time between his clinical and academic activities at The Methodist Hospital and ITESM. Prior to being appointed to Cardiol's Board of Directors, Dr. Torre-Amione was a member of the Corporation's Scientific Advisory Board.

Iain Chalmers, MBA – Director and Chief Marketing Officer

Mr. Iain Chalmers is currently Chief Marketing Officer of Cardiol and a professor of Marketing and Alcohol Business Management at Centennial College in Toronto, Ontario. He recently transitioned to teaching after spending nearly thirty years in the Consumer Packaged Goods business, where for the last eight years, he was the Vice President of Marketing & Innovation for Diageo Canada, the world's largest alcohol spirits company. Prior to this, he spent eleven years at Gillette/Procter & Gamble in various senior positions, including General Sales and Marketing Director for the Gillette Grooming Division. Iain is a seasoned marketer and brand builder with experience in Canada and the U.S.A. He led the Business Development and Sales Planning function for Braun USA and worked in marketing and sales positions at Unilever and Wrigley Canada. While at Diageo Canada, he was recognized by Marketing Magazine as one of the top four Marketers in Canada, based on the strong creative output of his team and consistent business performance for global brands, including Guinness, Smirnoff, Crown Royal, and Captain Morgan. Working in the alcohol industry has given Iain extensive experience building brands in a highly government-regulated environment. He is a past member of the Association of Canadian Advertisers, Advertising Standards Canada (ASC) and was a member of the Judicial Committee for ASC. Iain holds a BA in Political Science from University of Western Ontario, a Graduate Certificate in Management from Harvard University, a Bachelor of Education and an MBA from Charles Sturt University, and is a Certified Advertising Agency Practitioner (CAAP) from the Institute of Canadian Advertising.

Peter Pekos, BSc, MSc – Director

Mr. Peter Pekos, BSc, MSc, is a veteran of the pharmaceutical services industry. In 1986, he was a founder of Dalton Pharma Services. Over a period of 30 years, he directed Dalton's growth based on strong client relationships. Dalton provides pharma and biotech clients with an array of integrated services in a world-class 42,000 square foot facility, with more than 110 employees, in the heart of one of North America's largest biomedical clusters. These include premium contract chemistry research, a full range of analytical support, medicinal chemistry, formulation, cGMP manufacture of solid dosage forms, and cGMP aseptic fill-in vials and syringes. Mr. Pekos is currently President and CEO of Dalton, guiding the evolution of the company to best serve the changing needs of its clients throughout the major global economies, including the world's largest pharmaceutical companies. In 1983, he obtained a Chemistry/Biochemistry Double Specialist Degree with a Minor in Biology from the University of Toronto. In 1986, he completed a Master's Degree in synthetic chemistry at York University, and with his Professor, Doug Butler, founded Dalton with a very modest amount of capital. The company used incubator facilities at York University, and initially manufactured and sold specialty chemical compounds. Mr. Pekos also founded Ashbury Biologicals. Inc., a phyto-pharmaceutical company, Jupiter Consumer Products, a company that targeted the development of adult-focused confections, and several other technology-based companies focused on advanced materials and pharmaceutical development tools. Mr. Pekos is currently on the board and was founding Chairman of ventureLAB, a Regional Innovation Center located at IBM's York Region campus.

VentureLAB guides government program delivery to support the innovation ecosystem for biotechnology and related industries in southern Ontario.

Deborah M. Brown, MBA – Director

Ms. Deborah Brown is Managing Partner of Accelera Canada Ltd., a specialty consultancy firm that assists emerging biopharma ventures with the development and implementation of their Canadian market strategy. She has extensive North American leadership experience, having held progressively senior roles at EMD Serono (a division of Merck KGaA, Merck Serono) from 1992 to 2014, including Executive Vice President of Neuroimmunology for the company's U.S. operations, and President and General Manager of the company's Canadian operations. During her 15 years at EMD Serono Canada, Ms. Brown led the organization through a period of unprecedented growth from a small $10-million affiliate to a mid-sized pharma business with a diversified portfolio generating $150 million in revenue. She led the successful and most critical product launch in Serono's company history in the United States, resulting in a blockbuster product. In 2009, Ms. Brown was inducted into the Canadian Healthcare Marketing Hall of Fame and in 2012, she chaired the National Pharmaceutical Organization (now Innovative Medicines Canada) and served on its Board of Directors from 2007 to 2014. Currently, she sits on the Boards of Life Sciences Ontario, Oncolytics Biotech Inc., the Strategic Executive Advisory Council for Canadian Cancer Trials Group, and her local SPCA. Ms. Brown holds an MBA from University of Western Ontario's Ivey School of Business, a B.Sc. (Hons) from the University of Guelph, and completed the Merck Executive MBA Program at the University of Hong Kong, INSEAD, and Northwestern University's Kellogg School of Management and the Harvard University Advanced Negotiation Skills program.

Terry Lynch, BBA (Hon) – Director

Mr. Terry Lynch, BBA (Hon), is currently Chairman and CEO of Chilean Metals Inc., formerly International PBX Ventures, where he was CEO from 2012 to 2016. Mr. Lynch has had a varied and successful career focused on start-up and turn-around opportunities in Energy, Technology, Bio-Technology, Mining, Media, and Industrials. A graduate of St. Francis Xavier University BBA with a joint-honors in Economics, Mr. Lynch started his career in commercial real estate in Calgary in 1981. He moved to Toronto in 1986 within the same field and then left a successful practice to launch his first start-up company, Pallet, Pallet Inc. Over the course of four years, Pallet, Pallet Inc. evolved from original idea to over $100 million in sales, becoming North America's largest manufacturer of wooden pallets. Mr. Lynch then became involved as an Angel Investor start-up board member and executive for several ventures: Energy (Pacific Tiger), Technology (Prolessons.com), and Mining (Reliefgold). In 2007, he became a partner in Kingsmill Capital, a Limited Market Dealer, where he again funded and invested in numerous start-up technology and biotechnology firms.

Corporate Cease-Trade Orders

Other than as provided below, none of our Directors or executive officers has, within the ten years prior to the date of this Circular, been a director, chief executive officer, or chief financial officer of any company (including Cardiol) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease-trade order, an order similar to a cease-trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Terry Lynch was the Chief Executive Officer and a director of Firstgold Corp. ("**Firstgold**"). On June 10, 2010, the Ontario Securities Commission issued a temporary cease-trade order in respect of the trading in the securities of Firstgold due to the failure to file certain financial statements and MD&A and later issued a cease-trade order in respect of the trading in securities of Firstgold on June 23, 2010.

Corporate Bankruptcies

Other than as provided below, none of our Directors or executive officers has, within the ten years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets.

On January 27, 2010, while Mr. Lynch was the Chief Executive Officer and a director of Firstgold, Firstgold voluntarily filed for bankruptcy protection under Chapter 11 of the U.S Bankruptcy Code. The filing was made in the United States Bankruptcy Court, District of Nevada.

Penalties or Sanctions

No Director or executive officer of the Corporation or Shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

MAJORITY VOTING POLICY

The Corporation has adopted a Majority Voting Policy for director elections that applies at this Meeting and at any meeting of our Shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation as a director to the Chair of the Board promptly following the applicable shareholders' meeting. Following receipt of the resignation, the CG&C Committee will consider whether or not to accept the offer of resignation and make a recommendation to the Board. Within 90 days following the applicable shareholders' meeting, the Board shall publicly disclose their decision whether or not to accept the applicable director's resignation, including the reasons for rejecting the resignation, if applicable. A director who tenders his or her resignation pursuant to this policy will not be permitted to participate in any meeting of the Board or the CG&C Committee at which the resignation is considered. A copy of the Majority Voting Policy is available on our website at www.cardiolrx.com.

APPOINTMENT AND REMUNERATION OF AUDITORS

At the Meeting, the Board proposes to appoint BDO Canada LLP ("**BDO**"), Chartered Professional Accountants, of 60 Columbia Way, Suite 300, Markham, Ontario L3R 0C9, as auditors of the Corporation and to authorize remuneration to be fixed by the Board. BDO will hold office until the next annual general meeting of the Shareholders or until its successor is appointed. BDO were first appointed auditors of the Corporation on January 12, 2018.

The Board recommends that Shareholders vote in favour of the appointment of BDO as auditors of the Corporation. In the absence of contrary instructions, the Management Representatives named in

the accompanying Proxy intend to vote any Shares represented by such Proxies FOR the re-appointment of BDO as auditors of the Corporation for the ensuing year.

DESCRIPTION OF STOCK OPTION PLAN

The Corporation's stock option plan dated August 14, 2018 (the "**Option Plan**"), is a "rolling" stock option plan. A description of the Option Plan in accordance with the disclosure requirements of the TSX is set out below.

Eligible Participants: Directors, Employees, and Service Providers (as those terms are defined in the Option Plan) are eligible to be granted options under the Option Plan and are Optionees.

Plan Maximum: The number of Common Shares which may be issued pursuant to options granted under the Option Plan may not exceed 10% of the issued Common Shares from time to time. Common Shares covered by an option that have been exercised, terminated, or expired shall again be available for an option grant.

Outstanding Securities Awarded: As of the date hereof, the total number of Common Shares issuable upon exercise of options granted under the Option Plan is 1,415,000 Common Shares (representing approximately 5.5% of the Common Shares outstanding and approximately 54.7% of the Common Shares reserved for issuance under the Option Plan).

Remaining Securities Available for Grant: As of the date hereof, the number of Common Shares available for issuance pursuant to future Option grants is 1,172,768 Common Shares (representing approximately 4.5% of the Common Shares outstanding and approximately 45.3% of the Common Shares reserved for issuance under the Option Plan).

Limitations on Grants: The aggregate number of Common Shares issuable to insiders of the Corporation within any one-year period under the Option Plan, or when combined with all of the Corporation's other security-based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares. The aggregate number of Common Shares reserved for issuance to insiders of the Corporation at any time under the Option Plan, or when combined with all of the Corporation's other security-based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares.

Exercise Price: The exercise price of the Common Shares covered by each Option is determined by the Board. While the Common Shares are listed on the TSX, the exercise price shall not be less than the "Market Price" of the Common Shares at the time the option is granted. "Market Price" is defined in the Option Plan as the closing price of the Common Shares on the TSX, or another stock exchange where the majority of the trading volume and value of the Common Shares occurs, on the day immediately preceding the relevant date.

Vesting: The Option Plan provides that an option may be exercised (in each case to the nearest full share) during the term of the Option as follows: (a) one-third on the first anniversary of the date of the Option certificate relating to the options; (b) one-third on the second anniversary of the date of the option certificate; and (c) the remaining one-third shall vest on the third anniversary of the date of the option certificate.

Term of Options: Subject to the termination and change of control provisions noted below, the term of any option granted under the Option Plan is determined by the Board and may not exceed ten years from the date of grant. Should the expiry date for an option fall within a blackout period or within nine business days following the expiration of a blackout period, such expiry date shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the blackout period, such

tenth business day to be considered the expiry date for such option for all purposes under the Option Plan. A "blackout period" is a period during which designated persons cannot trade Common Shares of the Corporation pursuant to any policy of the Corporation respecting restrictions on trading.

Termination: If the Optionee is a director, Employee, or Service Provider of the Corporation and ceases to be such, other than by reason of death, then the expiry date of the Option is 90 days following the termination date, provided that, the Board has the discretion to waive the 90-day termination requirement, to permit the Optionee to exercise any options for the full term of the Options, unless the Optionee is terminated as a result of certain specified circumstances (including termination for cause for Employees and Service Providers) in which case the expiry date will be the date the Optionee is terminated.

In the event of the death of an Optionee, the Optionee's Option may be exercised only within one year next succeeding such death and then only (i) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, and (ii) to the extent that the Optionee was entitled to exercise the Option at the date of death.

Change of Control: In the event of an actual or potential change of control, the Board has the right to deal with any Options in the manner it deems equitable and appropriate in the circumstances, including the right to: (i) determine that any Options will remain in full force and effect in accordance with their terms after the change of control; (ii) cause any Options to be converted or exchanged for options to acquire shares of another entity involved in the change of control, having the same value and terms and conditions as the Options; (iii) accelerate the vesting of any unvested Options; (iv) provide Optionees with the right to surrender any Options for an amount per underlying Common Share equal to the positive difference, if any, between the fair market value of the Common Share on the date of surrender and the Option exercise price of such Options; and (v) accelerate the date by which any Options must be exercised.

Assignability: The benefits, rights, and Options accruing to any Optionee in accordance with the terms and conditions of the Option Plan are not transferable or assignable. During the lifetime of an Optionee any benefits, rights, and Options may only be exercised by the Optionee.

Amendment Provisions: The Option Plan provides that the Board may from time to time amend the Option Plan and the terms and conditions of any Option granted thereunder, provided that any such amendment, modification, or change to the provisions of the Option Plan shall: (a) not adversely alter or impair any Option previously granted except as permitted by the adjustment provisions in the Option Plan; (b) be subject to any regulatory approvals, where required, including the approval of the TSX, where necessary; (c) be subject to Shareholder approval in accordance with the rules of the TSX in circumstances where the amendment, modification, or change to the Option Plan would (i) reduce the exercise price of an option held by an insider of the Corporation; (ii) extend the term of an Option held by an insider of the Corporation beyond the original term of the Option (other than pursuant to the blackout-period provisions); (iii) amend to remove or to exceed the insider participation limits in the Option Plan; (iv) increase the fixed maximum percentage of issued and outstanding Common shares which may be issued pursuant to the Option Plan or change from a fixed maximum percentage of issued and outstanding Common Shares to a fixed maximum number of Common Shares; or (v) amend the amendment provisions and (d) not be subject to Shareholder approval in circumstances where the amendment, modification, or change to the Option Plan or Option would (i) be of a "housekeeping nature"; (ii) be necessary for Options to qualify for favourable treatment under applicable tax laws; (iii) alter, extend, or accelerate any vesting terms or condition in the Option Plan or any option; (iv) introduce, amend or modify any mechanics for exercising any Option (including relating to a cashless exercise feature or an automatic exercise feature); (v) change the term of an Option or change any termination provision in the Option Plan or any Option (for example, relating to termination of employment, resignation, retirement, or death), provided that such change does not entail an extension beyond the original term of such option (other than such period being extended by virtue of the blackout

provisions); (vi) introduce a share appreciation right feature payable in cash or Common Shares, provided that such feature provides for a full deduction of the number of underlying Common Shares from the Option Plan maximum as applicable; (vii) change the application of the adjustment or change of control provisions; (viii) add a form of financial assistance or amend a financial assistance provision which is adopted; or (ix) change the eligible participants under the Option Plan.

Financial Assistance: The Option Plan does not provide for the Corporation to give financial assistance to facilitate the purchase of Common Shares under the Option Plan.

Taxes and Source Deductions: The Option Plan provides that the Corporation or any subsidiary may take such reasonable steps for the deduction and withholding of any taxes and other required source deductions that the Corporation or the subsidiary, as the case may be, is required by any law or regulation of any governmental authority whatsoever to withhold, deduct, or remit in connection with the Option Plan, any exercise or surrender of any option, or a portion thereof, by an Optionee or any issuance of Common Shares to an Optionee.

In addition, the delivery of any Common Shares to be issued to an Optionee on the exercise or termination of options by the Optionee, may be made conditional upon the Optionee (or other person) reimbursing or compensating the Corporation or making arrangements satisfactory to the Corporation for the payment to it in a timely manner of all taxes required to be remitted for the account of the Optionee.

OTHER MATTERS

Management of the Corporation knows of no amendment, variation, or other matter to come before the Meeting other than the matters referred to in the Notice. However, if any other matter properly comes before the Meeting, the form of proxy furnished by the Corporation will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This compensation discussion and analysis describes and explains the Corporation's policies and practices with respect to the compensation of the Corporation's named executive officers, being its Chief Executive Officer (or person who acted in a similar capacity), Chief Financial Officer, and Executive Chairman and the three most highly compensated executive officers other than the Chief Executive Officer, Chief Financial Officer, and Executive Chairman (collectively the "**NEOs**") for the financial year ended December 31, 2018.

Executive Compensation

In accordance with the provisions of applicable securities legislation, the Corporation's five NEOs during the financial year ended December 31, 2018 were: Dr. Eldon R. Smith, Chairman and Chief Medical Officer, Mr. David Elsley, the President and Chief Executive Officer, Mr. Chris Waddick, the Chief Financial Officer and Corporate Secretary, Mr. Ian Hulbert, the former Chief Financial Officer, and Dr. Anthony E. Bolton, the former Chief Scientific Officer. Mr. Chris Waddick was appointed Chief Financial Officer on August 16, 2018.

The CG&C Committee determines the compensation of the Corporation's NEOs and the directors of the Corporation with a view to ensuring that the remuneration appropriately reflects the responsibilities and risks involved in being an effective executive officer and/or director of the Corporation. The CG&C Committee periodically reviews the Corporation's compensation philosophy and objectives taking into consideration various factors discussed below.

A summary of the compensation received by the NEOs for the financial year ended December 31, 2018, is provided under the heading "Summary Compensation Table" below. A summary of the compensation received by the non-NEO directors of the Corporation for the financial year ended December 31, 2018, is provided under the heading "Compensation of Directors" below.

Nature and Responsibilities of the Corporate Governance and Compensation Committee

The CG&C Committee is responsible for making recommendations to the Board with respect to, among other things: executive and director compensation, including reviewing and determining director compensation, overseeing the Corporation's base compensation structure and equity-based compensation program, recommending compensation of the Corporation's officers and employees and evaluating the performance of officers generally and in light of annual goals and objectives and any changes with a view to providing competitive compensation programs which attract, motivate, and retain high-caliber individuals.

The CG&C Committee also assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Corporation's senior management. The CG&C Committee reviews the compensation of senior management on an annual basis taking into account compensation paid by other issuers of similar size and activity. A copy of the CG&C Committee Mandate can be found on the Corporation's website at www.cardiolrx.com.

Recommendations of the CG&C Committee are referred to the Board for approval, modification, or amendment.

Composition of the Corporate Governance and Compensation Committee

To ensure the effectiveness of the CG&C Committee's oversight in determining executive compensation, the majority of the members of the CG&C Committee are independent. See "*Particulars Of Matters To Be Acted Upon Election of Directors – Biographies of Directors*" for education and experience of the Corporation's CG&C Committee members standing for re-election to the Board.

Philosophy and Objectives of the Compensation Program

Our compensation practices are designed to retain, motivate, and reward our executive officers for their performance and contribution to our long-term success. The Board seeks to compensate executive officers by combining short-term and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives and to align executive officers' incentives with the Corporation's performance. The Corporation seeks to tie individual goals to the area of the senior executive officer's primary responsibility. These goals may include the achievement of specific financial or business development goals. Corporation performance goals are based on our financial performance during the applicable financial year.

In order to achieve our growth objectives, attracting and retaining the right team members is critical. A key part of this is a well thought-out compensation plan that attracts high performers and compensates them for continued achievements. Many of the Corporation's team members will participate in the Option Plan, driving retention and ownership. Communicating clear and concrete criteria and processes for merit-based increases and bonuses will also motivate the entire team to achieve individual and corporate goals.

Elements of Compensation

Our executive compensation consists primarily of three elements: base salary, annual bonuses, and long-term equity incentives.

Base Salary

Base salaries for executive officers are established based on the scope of their responsibilities and their prior relevant experience, taking into account compensation paid by other companies in the industry for similar positions and the overall market demand for such executives at the time of hire. The Corporation does not actively benchmark its compensation to other companies, but has reviewed the public disclosure available for other comparable medical marijuana and clinical stage biopharmaceutical companies to assist in determining the competitiveness of base salary, bonuses, benefits, and stock options paid to the executive officers of the Corporation. An executive officer's base salary is determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation is in line with the Corporation's overall compensation philosophy.

Base salaries are reviewed annually and increased for merit reasons, based on the executive's success in meeting or exceeding individual objectives and/or for market competitiveness. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of an executive's role or responsibilities, as well as for market competitiveness.

Bonus Plans

Our compensation program includes eligibility for annual incentive cash bonuses. The range of potential bonuses is based on a percentage of base salary and is reviewed annually. NEO bonuses include corporate and financial performance targets, as well as personal performance objectives that are determined by the Board upon recommendations by the CG&C Committee, which may include the implementation of new strategic initiatives, the development of innovations, team building, the ability to manage the costs of the business, and other factors. The mix between corporate and financial performance targets and personal performance objectives and the resulting bonus entitlements vary for each NEO.

Option Plan

The Board of Directors has adopted the Option Plan, which allows for the grant of incentive stock options to the Corporation's employees, Directors, and service providers. Our Board of Directors will be responsible for administering the Option Plan and the CG&C Committee will make recommendations to the Board of Directors in respect of matters relating to the Option Plan. See "Description of Stock Option Plan".

Determination of Compensation

The CG&C Committee is, among other things, responsible for determining all forms of compensation and for evaluating the Chief Executive Officer's performance and for reviewing and approving the recommendations of the Chief Executive Officer to the Board for the other NEOs.

The appropriate quantum and form of compensation for the NEOs has been based on their qualifications, level of experience, and the compensation being paid to comparable executives in the Corporation's peer groups. In making compensation recommendations to the Board in respect of these elements, the CG&C Committee considers both the cumulative compensation being granted to executives, as well as internal comparisons among the Corporation's executives. The CG&C Committee reviews and approves recommendations of the Chief Executive Officer to the Board for the performance of each NEO at the year end.

Base Salaries

Base salaries or equivalent consulting fees for the NEOs are generally fixed by the Board following recommendations from the CG&C Committee. Increases or decreases on a year-over-year basis are dependent on the CG&C Committee's assessment of the performance of the Corporation overall, the Corporation's projects, and the individual's overall performance and skills. In determining such amounts,

the CG&C Committee generally balances the compensation objectives set out herein including the experience, skill and scope of responsibility of the executive with the goal of keeping cash compensation for its executive officers within the range of cash compensation paid by companies of similar size and industry.

Share-Based and Option-Based Awards

Long-term equity incentive compensation in the form of Options comprises a significant portion of overall compensation for the NEOs and the Board. The CG&C Committee believes that this is appropriate because it creates a strong correlation between variations in the Corporation's Share price and the compensation of its executives, thereby aligning the interests of the Corporation's executives and Shareholders.

The Stock Option Plan provides that Options will be issued pursuant to Option agreements to directors, officers, employees, or consultants of the Corporation or a subsidiary of the Corporation. The grant of Options to executive officers is determined by the Board as recommended by the CG&C Committee. Options assist the Corporation in attracting, motivating, and retaining top talent. The Corporation has used initial larger one-time grants to recruit new executives and directors and ensure that the NEOs have a significant stake in the performance of the Corporation. The CG&C Committee reviews the option schedule periodically during each financial year and the contributions made to the Corporation by executive officers to determine whether additional Option grants should be made. Previous grants of Options are taken into account when considering new grants. Although options granted to the current date mainly have a term of seven years, it is expected that future grants will have a term of five years. The term of the options encourages the long-term retention of the Corporation's officers, employees, and consultants.

Discussions by the CG&C Committee and subsequently by the Board are not dependent on or determined by formal analyses, criteria, benchmarking or objectives and are not linked in any quantitative way to the Corporation's Share price quoted on the TSX. Rather, the Corporation relies on the knowledge and experience of the directors who sit on the CG&C Committee, together with background information on other similar companies in determining appropriate amounts for each element of the compensation package for the Chief Executive Officer and for reviewing and approving the recommendations of the Chief Executive Officer to the Board for the other NEOs.

Assessment of Risks Associated with the Corporation's Compensation Policies and Practices

The Board, based on recommendations from the CG&C Committee, assesses the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with those plans and programs. The CG&C Committee will ensure that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation.

The CG&C Committee considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans, and programs are generally implemented by or at the direction of the CG&C Committee.

Share-Based and Option-Based Awards

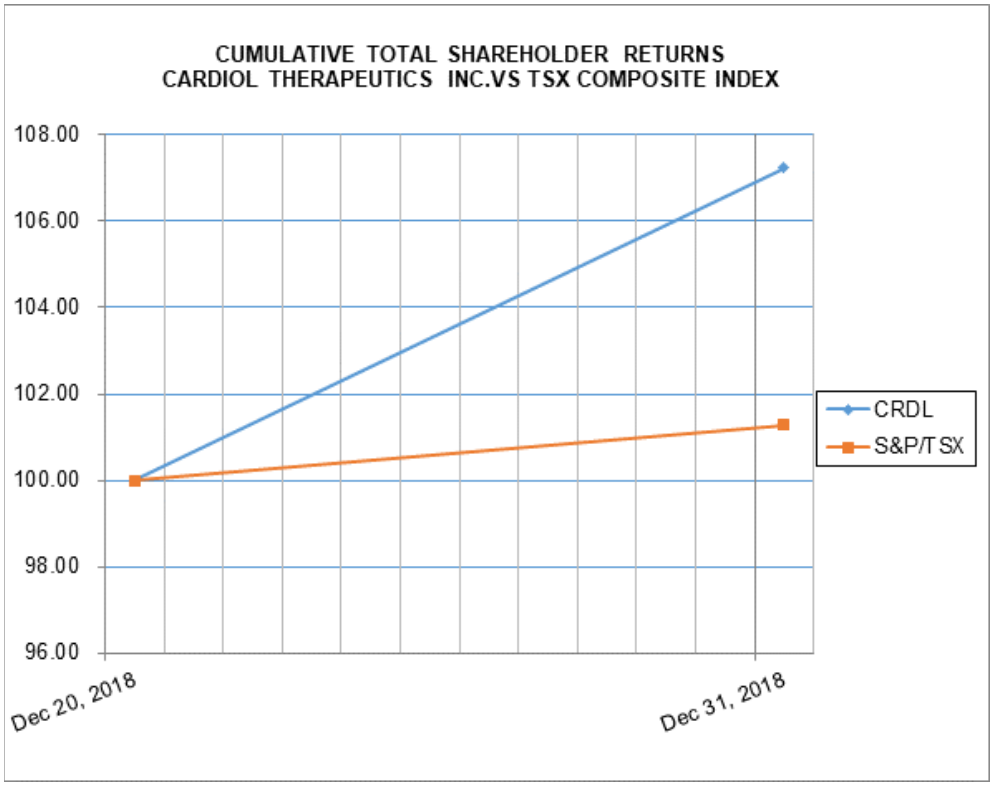
For information on the Corporation's option-based awards, refer to the heading "*Compensation Discussion and Analysis – Determination of Compensation – Share-Based and Option-Based Awards*."

Compensation Governance

For information on the Corporation's compensation governance, refer to the heading "*Compensation Discussion and Analysis – Executive Compensation*."

PERFORMANCE GRAPH

The following graph compares the year-end investment value of the total cumulative shareholder return for $100 invested in Common Shares of the Corporation against the cumulative total return of the S&P/TSX Composite Index since the date of public trading on the TSX (being December 20, 2018) until the fiscal year ended December 31, 2018.



	CRDL	S&P/TSX
December 20, 2018	100.00	100.00
December 31, 2018	107.23	101.28

Summary Compensation Table

The following table sets out certain information respecting the compensation paid for the financial year ended December 31, 2018 to NEOs of the Corporation for the most recently completed financial year:

Name and principal position	Year	Salary ($)	Share based Awards ($)	Option based Awards ($)[1]	Non-equity incentive compensation ($) (f)		Pension value ($)	All other compen-sation ($)	Total compen-sation ($)
					Annual incentive plans	Long-term incentive plans			
(a)	(b)	(c)	(d)	(e)	(f1)	(f2)	(g)	(h)	(i)
Dr. Eldon R. Smith Chairman and Chief Medical Officer	2018	88,767	Nil	Nil	Nil	Nil	Nil	66,306[2]	155,073
Mr. David Elsley President and Chief Executive Officer	2018	362,717	Nil	Nil	350,000	Nil	Nil	Nil	712,717
Mr. Chris Waddick Chief Financial Officer and Corporate Secretary	2018	173,004	Nil	779,993	Nil	Nil	Nil	399,950[3]	1,352,947
Dr. Anthony E. Bolton former Chief Scientific Officer	2018	Nil	Nil	Nil	Nil	Nil	Nil	220,000[4]	220,000
Mr. Ian Hulbert former Chief Financial Officer[6]	2018	Nil	Nil	Nil	Nil	Nil	Nil	130,238[5]	130,238

Notes:

(1) These amounts are the fair value of the Options based on the Black-Scholes option pricing model. The model used has been based on IFRS guidelines and has been tied to the option periods. The undernoted weighted average assumptions were utilized: expected dividend yield of 0%; risk-free rate of 2.22%; expected life of 7 years; and an expected volatility of 162%.

(2) These amounts, plus applicable GST, were paid to Eldon R. Smith & Associates Ltd. for services provided to the Corporation.

(3) On August 16, 2018, Mr. Waddick was granted an option to acquire 100,000 Common Shares exercisable at a nominal exercise price as a signing bonus with respect to his employment with the Corporation. Mr. Waddick exercised this option on August 21, 2018.

(4) These amounts were paid to Dr. Bolton pursuant to his management consulting agreement with the Corporation.

(5) These amounts, plus applicable HST, were paid to Ian S. Hulbert Professional Corporation for services provided to the Corporation.

(6) Mr. Hulbert resigned as CFO on August 16, 2018.

Incentive Based Awards Option-Based Awards

The Corporation has a Stock Option Plan in place, which was established to provide incentive to qualified parties to increase their equity interest in the Corporation and thereby encourage their continuing association with the Corporation. The grant of Options to executive officers is determined by the Board of Directors upon recommendation by the CG&C Committee. The CG&C Committee proposes Option grants

based on such criteria as performance, previous grants, and hiring incentives. All grants require approval of the Board. The Stock Option Plan is administered by the Board and provides that Options may be issued to directors, officers, employees, or consultants of the Corporation or a subsidiary of the Corporation.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth particulars of all outstanding share-based and option-based awards granted to the NEOs and which were outstanding at December 31, 2018:

	Option –based Awards				**Share-based Awards**		
Name **(a)**	**Number of securities underlying unexercised options (#)** **(b)**	**Option exercise price ($)** **(c)**	**Option expiration date** **(d)**	**Value of unexercised in-the-money-options [1] ($)** **(e)**	**Number of shares or units of shares that have not vested (#)** **(f)**	**Market or payout value of share-based awards that have not vested ($)** **(g)**	**Market or payout value of vested share-based awards not paid out or distributed ($)**
Dr. Eldon R. Smith	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. David Elsley	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Chris Waddick	200,000	$5.00	August 16, 2025	Nil	N/A	N/A	N/A
Dr. Anthony E. Bolton	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:

(1) Based on the difference between the exercise price of the Option and the closing market price of the Corporation's Shares on the TSX on December 31, 2018 of $4.45.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth particulars of the value of all incentive plan awards vested in or earned by the NEOs during the year ended December 31, 2018:

Name	**Option-based awards – Value vested during the year ($)[1]**	**Share-based awards – Value vested during the year ($)**	**Non-equity incentive plan compensation – Value earned during the year ($)**
Dr. Eldon R. Smith	Nil	Nil	Nil
Mr. David Elsley	Nil	Nil	Nil
Mr. Chris Waddick	Nil	Nil	Nil
Dr. Anthony E. Bolton	Nil	Nil	Nil
Mr. Ian Hulbert	Nil	Nil	Nil

Note:

(1) The exercise price of the Options granted during the year was equal to or in excess of the market price of the Corporation's Shares on the date the Options were granted and accordingly the value vested or earned is nil.

Pension Plan Benefits

The Corporation does not have any pension or retirement plan in place.

Termination and Change of Control Benefits

The Corporation has entered into a written agreement with each NEO that sets out the terms of his relationship as a consultant or employee, including the NEO's entitlement in the event of the cessation of employment.

The Corporation is not party to any contracts and has not entered into any plans or arrangements which require compensation to be paid to a NEO in the event of resignation, retirement, a change in control of the Corporation, or a change in a NEO's responsibilities. No other management functions of the Corporation are performed to any substantial degree by any person or corporation other than the directors and officers of the Corporation.

In the event of the Corporation terminating Mr. David Elsley without cause, the Corporation is required to provide written notice of termination, payment in lieu of notice, or any combination thereof equal to 12 months. In the event of the Corporation terminating Mr. Chris Waddick without cause, the Corporation is required to provide the greater of: (i) $91,000; or (ii) written notice of termination, payment in lieu of notice, or any combination thereof pursuant to the Ontario Employments Standards Act, 2000.

Compensation of Directors

The Corporation's policy with respect to directors' compensation was developed by Management and approved by the Board, to be managed and refined in the future, as necessary, by the CG&C Committee. Directors of the Corporation that are also officers or employees of the Corporation are not compensated for their service on the Board. The following table sets out certain information respecting the compensation paid to Directors who were not NEOs for the financial year ended December 31, 2018. Mr. Elsley and Dr. Smith were Directors and NEOs during the year ended December 31, 2018. Any compensation received by them in their capacities as directors of the Corporation is reflected in the Summary Compensation Table in this Circular.

Director Compensation Table

The following table sets forth compensation paid to directors in the financial years ending December 31, 2018 and who were not also officers, employees, or NEOs of the Corporation.

Name and principal position (a)	Year (b)	Fees earned ($) (c)	Share based Awards ($) (d)	Option based Awards ($)[1] (e)	Non-equity incentive compensation ($) (f)	Pension value ($) (g)	All other compen-sation ($) (h)	Total compen-sation ($ (i)
Dr. Guillermo Torre-Amione	2018	14,565	Nil	45,804	Nil	Nil	Nil	60,369
Mr. Iain Chalmers	2018	18,207	Nil	45,804	Nil	Nil	Nil	64,011
Mr. Terry Lynch	2018	60,000[2]	Nil	Nil	Nil	Nil	Nil	60,000
Mr. Peter Pekos	2018	14,565	Nil	45,804	Nil	Nil	Nil	60,369
Ms. Deborah Brown	2018	20,027	Nil	45,804	Nil	Nil	Nil	65,831

Note:

(1) These amounts are the fair value of the Options based on the Black-Scholes option pricing model. The model used has been based on IFRS guidelines and has been tied to the option periods. The undernoted weighted average assumptions were utilized: expected dividend yield of 0%; risk-free rate of 2.17%; expected life of 7 years; and an expected volatility of 162%.

(2) Represents a full year of director fees paid versus a partial year for all other directors.

Board Retainers or Cash Compensation

In the Board's view, board retainers or cash compensation should be determined based on the requirements of the members of the board of a clinical stage biopharmaceutical company, as well as a subjective assessment of the compensation the individual could reasonably expect to receive from the Corporation's peers and upon the Corporation's capacity to pay.

The CG&C Committee intends to review the Board retainers or cash compensation annually to ensure they remain externally competitive. At the same time, there is an expectation that individual members of the Board be accountable and that a review process is a necessary part of that accountability.

Outstanding Share-Based & Option-Based Awards

The following table sets forth particulars of all outstanding share-based and option-based awards granted to Directors of the Corporation who were not officers, employees, or NEOs and which were outstanding at December 31, 2018:

Name (a)	Option–based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#) (b)	Option exercise price ($) (c)	Option expiration date (d)	Value of unexercised in-the-money-options [1] ($) (e)	Number of shares or units of shares that have not vested (#) (f)	Market or payout value of share- based awards that have not vested ($) (g)
Dr. Guillermo Torre-Amione	60,000	$5.00	August 30, 2025	Nil	N/A	N/A
Mr. Iain Chalmers	60,000	$5.00	August 30, 2025	Nil	N/A	N/A
Mr. Terry Lynch	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Peter Pekos	60,000	$5.00	August 30, 2025	Nil	N/A	N/A
Ms. Deborah Brown	60,000	$5.00	August 30, 2025	Nil	N/A	N/A

Note:

(1) Based on the difference between the exercise price of the Option and the closing market price of the Corporation's Shares on the TSX on December 31, 2018 of $4.45.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the particulars of all incentive plan awards vested or earned by Directors who were not NEOs during the year ended December 31, 2018.

Name	Option-based awards – Value vested during the year ($)[1]	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Dr. Guillermo Torre-Amione	Nil	Nil	Nil
Mr. Iain Chalmers	Nil	Nil	Nil
Mr. Terry Lynch	Nil	Nil	Nil
Mr. Peter Pekos	Nil	Nil	Nil
Ms. Deborah Brown	Nil	Nil	Nil

Note:

(1) The exercise price of Options granted during the year was equal to or in excess of the market price of the Corporation's Shares on the date the Options were granted and accordingly the value vested or earned is nil.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION

The following table sets forth information with respect to all compensation plans under which equity securities are authorized for issuance as of December 31, 2018:

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	**Weighted-average exercise price of outstanding options, warrants, and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)**
Equity compensation plans approved by security holders	820,000	$5.00	1,452,671
Equity compensation plans not approved by security holders	N/A	N/A	N/A
TOTAL	820,000	$5.00	1,452,671

Notes:

(1) For further information on the Corporation's equity compensation plans, refer to the heading "*Description of Stock Option Plan*".

(2) The Option Plan is a rolling 10% plan, so this number will increase as the number of Common Shares available for issuance is determined at the date of the option grant based on the number of issued and outstanding Common Shares at that date.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Since the beginning of the last fiscal year of the Corporation, none of the executive officers, directors or employees or any former executive officers, directors, or employees of the Corporation or any proposed nominee for election as a director of the Corporation or any of their respective associates is or has been indebted to the Corporation or has been indebted to any other entity where that indebtedness was the subject of a guarantee, support agreement, letter of credit, or other similar arrangement or understanding provided by the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

For purposes of the following discussion, "**Informed Person**" means (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an Informed Person or a subsidiary of the Corporation; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Corporation, other than the voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation itself if it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

Except as disclosed below, elsewhere herein or in the notes to the Corporation's financial statements for the financial year ended December 31, 2018, none of:

(a) the Informed Persons of the Corporation;

(b) the proposed Nominees for election as a director of the Corporation; or

(c) any associate or affiliate of the foregoing persons,

has any material interest, direct or indirect, in any transaction since the commencement of the last financial year of the Corporation or in a proposed transaction which has materially affected or would materially affect the Corporation or any subsidiary of the Corporation.

DISCLOSURE STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

The Board believes that effective corporate governance contributes to improved corporate performance and enhanced Shareholder value. The Corporation's governance practices are subject to at least an annual review and evaluation through the Board's Corporate Governance and Compensation Committee to ensure that, as the Corporation's business develops and grows, changes in structure and process necessary to ensure continued good governance are identified and implemented.

The Canadian Securities Administrators ("**CSA**") have adopted National Policy 58-201 – *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") which prescribes certain disclosure by the Corporation of its corporate governance practices. The following statement has been prepared by the Board.

The Board of Directors believes that sound corporate governance improves corporate performance and benefits all shareholders and believes that its practices in most respects are closely aligned to the Guidelines. This section sets out the Corporation's approach to corporate governance and provides the disclosure requested by Form NI 58-101F1.

BOARD OF DIRECTORS

The Corporation's Board of Directors is responsible for supervising the management of the Corporation's business and affairs. The Board has adopted a formal mandate setting out its stewardship responsibilities, including its responsibilities for the appointment of Management, management of the Board, strategic and business planning, monitoring of financial performance, financial reporting, risk management, and oversight of our policies and procedures, communications, and reporting and compliance. A copy of the mandate of our Board is attached as Schedule "A" hereto.

As of the date hereof, the Board is comprised of seven directors. The Board is responsible for determining whether or not each Director is "independent". To do this, the Board analyzes all the relationships of the Directors with the Corporation and its subsidiaries. Pursuant to NI 58-101 and NI 52-110, a director is independent if such director has no direct or indirect material relationship with the Corporation, which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment. The Board has concluded that four of its directors (Deborah Brown, Terry Lynch, Guillermo Torre-Amione, and Peter Pekos) are "independent" for purposes of board membership as defined in NI 58-101 and therefore a majority of the directors are independent. By virtue of his position as President and CEO, David Elsley is not considered "independent". By virtue of his recent appointment to the position as Chief Marketing Officer on April 8, 2019, Iain Chalmers is no longer considered "independent". By virtue of his position as Chief Medical Officer, Dr. Smith is not considered "independent." Previously, Peter Pekos was not considered "independent" by virtue of his position as President and CEO of Dalton. The CG&C examined the factors impacting Mr. Pekos' independence and determined that he is independent. Four of the seven Nominees for election as directors at the Meeting are therefore considered "independent". More information about each director can be found in the Circular under the heading "*Particulars of Matters to be Acted Upon – Election of Directors – Biographies of Directors*".

Dr. Eldon Smith is the Chairman of the Board. He is not an independent director of the Corporation. Given its current stage of development and the controls in place, the Board is of the opinion that it is in the best interests of the Company and its shareholders to have Dr. Eldon Smith continue to act as Chair of the Board.

Mr. Terry Lynch acts as the representative of the independent directors to the Board. He provides leadership to ensure that the Board's agenda will enable it to successfully carry out its duties.

The Board meets regularly to review the activities and financial results of the Corporation and as necessary to review and consider significant impending actions of the Corporation. The attendance record of each director for all Board and committee meetings held since January 1, 2018 is as follows:

Name	Board Meetings	Audit Committee Meeting
Dr. Eldon R. Smith	3/3	
Mr. David Elsley	3/3	
Dr. Guillermo Torre-Amione	1/1	
Mr. Iain Chalmers	1/1	1/1
Mr. Terry Lynch	3/3	1/1 (Chair)
Mr. Peter Pekos	3/3	
Ms. Deborah Brown	1/1	1/1

We have taken steps to ensure that adequate structures and processes are in place to permit our Board to function independently of our Management. Our Board will hold regularly scheduled meetings, as well as ad hoc meetings from time to time. It is contemplated that in the course of meetings of the Board or committees of the Board, the independent directors hold in-camera sessions at which neither non-independent directors nor officers of the Corporation are in attendance.

Certain nominees and current directors of the Corporation are also presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or elsewhere. The following table provides details regarding directors of the Corporation who serve as directors on the boards of other public companies as at the date of this Circular and who are standing for re-election at the Meeting:

Director	Other Company
Dr. Eldon R. Smith	Resverlogix Corp., Zenith Capital Corp.
Mr. Terry Lynch	Chilean Metals Inc.
Ms. Deborah Brown	Oncolytics Biotech Inc.

POSITION DESCRIPTIONS

In addition to chairing all Board meetings, the role of the Chair of the Board of Directors is to facilitate and chair discussions among the Corporation's independent directors, facilitate communication between the independent directors and Management, and, if and when necessary, act as a spokesperson on behalf of the Board in dealing with the press and members of the public.

The Corporation does not have a written CEO position description. The CEO leads the management of the Corporation's business and affairs and the implementation of the resolutions and policies of the Board. The key accountabilities and responsibilities of the CEO include: duties relating to the Corporation's values, strategy, governance, risk management, risk appetite, financial information, human resources management, operational direction, Board interaction, talent management, succession planning, and effective communication with shareholders, clients, employees, regulators, and other stakeholders.

The duties and responsibilities of the Chair of the Audit Committee and the CG&C Committee are described in the respective committee charters.

ORIENTATION AND CONTINUING EDUCATION

New directors of the Corporation are expected to participate in an initial information session on the Corporation in the presence of its senior executive officers to learn about, among other things, the business of the Corporation, its financial situation and its strategic planning. In addition, new directors will be furnished with appropriate documentation providing them with information about, among other matters, the corporate governance practices of the Corporation, the structure of the Board and its committees, the Corporation's history, its commercial activities, its corporate organization, the charters of the Board and its committees, the Corporation's articles, the Corporation's Code of Business Conduct and Ethics, and other relevant corporate policies.

The Corporation will encourage all Directors to attend continuing education programs and intends to facilitate such continuing education of its Directors by providing them with information on upcoming courses and seminars that may be relevant to their role as directors or by hosting brief information sessions during Board meetings by invited external advisors. In addition, the Corporation's Management will periodically make presentations to the Directors on various topics, trends, and issues related to the Corporation's activities during meetings of the Board or its committees, which will be intended to help the Directors to constantly improve their knowledge about the Corporation and its business.

ETHICAL BUSINESS CONDUCT

Our Board of Directors has adopted a written Code of Business Conduct and Ethics (the "**Code**") that applies to directors, officers, and employees. The objective of the Code is to provide guidelines for enhancing our reputation for honesty, integrity, and the faithful performance of undertakings and obligations. The Code addresses conflicts of interest, use of company assets, inventions, use of Corporation email and internet services, disclosure, corporate opportunities, confidentiality, fair dealing, and compliance with laws. As part of the Code, any person subject to the Code is required to avoid any activity, interest (financial or otherwise), or relationship that would create or appear to create a conflict of interest.

Our Directors will be responsible for monitoring compliance with the Code, for regularly assessing its adequacy, for interpreting the Code in any particular situation, and for approving changes to the Code from time to time.

Directors and executive officers are required by applicable law and our corporate governance practices and policies to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law and principles of sound corporate governance require them to declare the interest in writing and where required by applicable law, to abstain from voting with respect to such agreement or transaction.

A copy of the Code is available for review under the Corporation's profile on SEDAR at www.sedar.com. A copy of the Code is also available for review on the Corporation's website at www.cardiolrx.com.

NOMINATION OF DIRECTORS

The CG&C Committee is responsible for identifying and recruiting candidates for directorship and selecting the most appropriate candidates for submission to the Board as a whole for consideration as potential director nominees.

The CG&C Committee is comprised of three directors: Deborah Brown (Chair), Peter Pekos (as of May 9, 2019), and Terry Lynch.

The CG&C Committee's considerations include:

(a) competencies and skills that the Board, as a whole, should possess and the competencies and skills of each current director. The Board reviews, as required, the requisite skills and

criteria for Board members, as well as the composition and size of the Board as a whole in order to ensure that the Board has the requisite expertise, that its membership consists of persons with sufficiently diverse and independent backgrounds, and that its membership consists of an appropriate number of independent directors;

(b) identification of individuals qualified to become Board members, consistent with criteria set out by the Board; and

(c) questions of independence and possible conflicts of interest of members of the Board and of senior executives.

COMPENSATION

The CG&C Committee of the Board determines compensation and incentive awards for the Directors and senior officers of the Corporation based on the individual's skill level and the comparative industry compensation level.

The CG&C Committee is comprised of three directors: Deborah Brown (Chair), Peter Pekos (as of May 9, 2019), and Terry Lynch.

The primary responsibilities of the CG&C Committee with respect to compensation are to make recommendations to the Board in respect of: (1) compensation policies and guidelines; (2) Management incentive and perquisite plans and any non standard remuneration plans; (3) senior management, executive, and officer compensation; and (4) Board compensation matters. In carrying out these responsibilities, the CG&C Committee will evaluate the performance of the CEO and all other senior executives in consideration of the respective performance goals and objectives for each such individual and recommend to the Board the amount of regular and incentive compensation to be paid to the CEO and all other senior executives; review and recommend to the Board the CEO's performance evaluations and recommendations for compensation of our officers and key employees (other than our senior executives); review the compensation philosophy and make recommendations for changes, where appropriate; review and make recommendations to our Board with respect to incentive-based compensation plans and equity-based plans (including stock option plans); review and recommend to the Board the aggregate bonus pools to be made available under our incentive compensation plans for senior management, executives, and officers; prepare or review the report on executive compensation and compensation discussion and analysis required to be included in our continuous disclosure documentation; and review and make periodic recommendations to our Board regarding the compensation of our Board. More information on the process by which compensation for our Directors and officers is determined as set forth under the headings "*Compensation Discussion and Analysis*".

ASSESSMENTS

As described above, the CG&C Committee is responsible for overseeing and assessing the functioning of the Board and the committees of the Board. The CG&C Committee must annually review and evaluate and make recommendations to the Board with regard to the size, composition, and role of the Board and its committees (including the type of committees to be established) and the methods and processes by which the Board, committees, and individual directors fulfill their duties and responsibilities, including the methods and processes for evaluating Board, committee, and individual director effectiveness.

DIRECTOR TERM LIMITS AND OTHER MECHANISMS OF BOARD RENEWAL

The Corporation has not adopted term limits for the directors or other formal mechanisms of Board renewal. The Board believes that the need to have experienced directors who are familiar with the business of the Corporation must be balanced with the need for renewal, fresh perspectives, and a healthy skepticism when

assessing Management and its recommendations. In addition, as mentioned above, the Board undertakes an assessment process that evaluates its effectiveness.

While term limits can help ensure the Board gains fresh perspective, imposing this restriction means the Board would lose the contributions of longer serving directors who have developed a deeper knowledge and understanding of the Corporation over time. The Board believes that term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increased insight into the Corporation and its operations and therefore provide an increased contribution to the Board as a whole.

REPRESENTATION OF WOMEN ON THE BOARD AND IN EXECUTIVE OFFICER POSITIONS

The Corporation has not adopted a written policy relating specifically to the identification and nomination of women directors as the Corporation's written director nomination procedure takes into account a broader range of relevant considerations. The Corporation does consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board; however, gender is only one factor in the consideration of the competencies and skills the Board, as a whole, should possess taking into account the tangible and intangible skills and qualities necessary for an effective Board given the Corporation's stage of development, operational and financial condition, and strategic outlook. Other factors include the qualities of the proposed nominee such as integrity, business judgment, independence, business or professional expertise, residency and familiarity with nature of business and geographic regions relevant to the Corporation's strategic priorities. At this time the Corporation has not adopted a target regarding the number or percentage of women on the Board. Currently, the Corporation has one woman on the Board, representing 14.3% of the number of directors of the Corporation.

The Corporation has not considered the level of representation of women in executive officer positions when making the limited number of executive officer appointments. Two of the Corporation's four executive officers are long-standing employees of the Corporation or its predecessors, and the Corporation's Chief Financial Officer and Chief Marketing Officer were appointed with consideration of their unique experience relevant to the Corporation's strategic priorities. Currently, the Corporation has no female executive officers. In the future, the Corporation may consider the level of representation of women in executive officer positions when making executive officer appointments; however, the Corporation has not adopted a target regarding the number or percentage of women in executive officer positions given the infrequency of such appointments and need to consider all qualifications of potential appointees in selecting the best candidate for the position.

AUDIT COMMITTEE INFORMATION

Information regarding the Corporation's Audit Committee is contained in the Corporation's annual information form dated March 27, 2019 (the "AIF") prepared in respect of the financial year ended December 31, 2018 under the heading "Audit Committee Information" and a copy of the charter of the Audit Committee is attached to the AIF as Appendix "A". The AIF is available for review under the Corporation's issuer profile on SEDAR at www.sedar.com "Company Profiles – Cardiol Therapeutics Inc." and on the Corporation's website at www.cardiolrx.com. The AIF may also be obtained free of charge by sending a written request to the Corporation at the Corporation's head office located at 2275 Upper Middle Road East, Suite 101, Oakville, ON, Canada L6H 0C3.

MANAGEMENT CONTRACTS

Except as otherwise disclosed herein, management functions of the Corporation are not, to any substantial degree, performed by a person other than the directors and executive officers of the Corporation.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Other than the above, management of the Company know of no other matters to come before the Meeting other than those referred to in the Notice. If any other matters that are not currently known to management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the Designated Persons named therein to vote on such matters in accordance with their best judgment.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2018.

In addition, copies of this Circular, the comparative audited annual financial statements of the Corporation for the year ended December 31, 2018, interim financial statements subsequent to those financial statements and management's discussion and analysis for the year ended December 31, 2018 may be obtained on SEDAR at www.sedar.com or free of charge from the Corporation upon request from the Corporation's Corporate Secretary at 2275 Upper Middle Road East, Suite 101, Oakville, ON, Canada L6H 0C3, phone (905) 491-6793 and such documents will be sent by mail or electronically by email as may be specified at the time of the request. Financial information on the Corporation is provided in the Financial Statements and the MD&A.

BOARD APPROVAL

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been approved by the Board of Directors.

Dated at Oakville, Ontario on May 10, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "David Elsley"
Director, President and Chief Executive Officer

CARDIOL THERAPEUTICS INC.
(the "Corporation")

SCHEDULE "A"
BOARD OF DIRECTORS' MANDATE DISCLOSURE

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1. PURPOSE

The primary function of the directors (individually, a "**Director**" and, collectively, the "**Board**") of the Corporation is to supervise the management of the business and affairs of the Corporation. Management is responsible for the day-to-day conduct of the business of the Corporation. The fundamental objectives of the Board are to enhance and preserve long-term shareholder value and to ensure that the Corporation conducts business in an ethical and safe manner. In performing its functions, the Board should consider the legitimate interests that stakeholders, such as employees, customers, and communities, may have in the Corporation. In carrying out its stewardship responsibility, the Board, through the Corporation's Chief Executive Officer (the "**CEO**"), should set the standards of conduct for the Corporation.

2. PROCEDURE AND ORGANIZATION

The Board operates by delegating certain responsibilities and duties set out below to management or committees of the Board and by reserving certain responsibilities and duties for the Board. The Board retains the responsibility for managing its affairs, including selecting its chair (the "**Chair of the Board**") and constituting committees of the Board. A majority of the members of the Board shall be independent within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices, and the rules of any stock exchange or market on which the Corporation's shares are listed or posted for trading (collectively, "**Applicable Governance Rules**"). If the Board selects a non-independent Director to serve as the Chair of the Board, it shall also select an independent Director to serve as the independent lead Director. In this mandate, the term "independent" includes the meanings given to similar terms by Applicable Governance Rules, including the terms "non-executive", "outside" and "unrelated" to the extent such terms are applicable under Applicable Governance Rules. The Board shall assess, on an annual basis, the adequacy of this mandate.

3. RESPONSIBILITIES AND DUTIES

The principal responsibilities and duties of the Board fall into a number of categories, which are summarized below.

A. Legal Requirements

(i) The Board has the overall responsibility to ensure that applicable legal requirements are complied with and documents and records have been properly prepared, approved, and maintained.

(ii) The Board has the statutory responsibility to, among other things:

(A) manage, or supervise the management of, the business and affairs of the Corporation;

(B) act honestly and in good faith with a view to the best interests of the Corporation;

(C) declare conflicts of interest, whether real or perceived;

(D) exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances; and

(E) act in accordance with the obligations contained in the OBCA, the regulations under the OBCA, the articles of the Corporation, applicable securities laws and policies, applicable stock exchange rules, and other applicable legislation and regulations.

(iii) The Board has the responsibility for considering the following matters as a Board, which may not be delegated to management or to a committee of the Board:

(A) any submission to the shareholders of any question or matter requiring the approval of the shareholders;

(B) the filling of a vacancy among the directors or in the office of auditor and the appointment or removal of any of the CEO, the Chief Financial Officer, the Chair of the Board, or the President of the Corporation;

(C) the issuance of securities except in the manner and on the terms authorized by the Board;

(D) declaring of dividends;

(E) the purchase, redemption, or any other form of acquisition of shares issued by the Corporation;

(F) the payment of a commission to any person in consideration of the person purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares except as authorized by the Board;

(G) the approval of a management information circular;

(H) the approval of a take-over bid circular, directors' circular, or issuer bid circular;

(I) the approval of annual financial statements of the Corporation;

(J) the approval of an amalgamation of the Corporation;

(K) the approval of an amendment to the articles of the Corporation; and

(L) the adoption, amendment, or repeal of by-laws.

In addition to those matters which at law cannot be delegated, the Board must consider and approve all major decisions affecting the Corporation, including all material acquisitions and dispositions, material capital expenditures, material debt financings, issue of shares, and granting of options.

B. Strategy Development

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through committees in developing and approving the strategy by which the Corporation proposes to achieve these goals (taking into account, among other things, the opportunities and risks of the business of the Corporation).

C. Risk Management

The Board has the responsibility to safeguard the assets and business of the Corporation, identify and understand the principal risks of the business of the Corporation, and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

D. Appointment, Training, and Monitoring Senior Management

The Board has the responsibility to:

(i) appoint the CEO, and together with the CEO, to develop a position description for the CEO;

(ii) with the advice of the Corporation's Compensation Committee (the "**Compensation Committee**"), develop corporate goals and objectives that the CEO is responsible for meeting and to monitor and assess the performance of the CEO in light of those corporate goals and objectives and to determine the compensation of the CEO;

(iii) provide advice and counsel to the CEO in the execution of the duties of the CEO;

(iv) develop, to the extent considered appropriate, position descriptions for the Chair of the Board and the chair of each committee of the Board;

(v) approve the appointment of all corporate officers;

(vi) consider, and if considered appropriate, approve, upon the recommendation of the Compensation Committee and the CEO, the remuneration of all corporate officers;

(vii) consider, and if considered appropriate, approve, upon the recommendation of the Compensation Committee, incentive-compensation plans and equity-based plans of the Corporation; and

(viii) ensure that adequate provision has been made to train and develop management and members of the Board and for the orderly succession of management, including the CEO.

E. Ensuring Integrity of Management

The Board has the responsibility, to the extent considered appropriate, to satisfy itself as to the integrity of the CEO and other officers of the Corporation and to ensure that the CEO and such other officers are creating a culture of integrity throughout the Corporation.

F. Policies, Procedures and Compliance

The Board is responsible for the oversight and review of the following matters and may rely on management of the Corporation to the extent appropriate in connection with addressing such matters:

(i) ensuring that the Corporation operates at all times within applicable laws and regulations and to appropriate ethical and moral standards;

(ii) approving and monitoring compliance with significant policies and procedures by which the business of the Corporation is conducted;

(iii) ensuring that the Corporation sets appropriate environmental standards for its operations and operates in material compliance with environmental laws and legislation;

(iv) ensuring that the Corporation has a high regard for the health and safety of its employees in the workplace and has in place appropriate programs and policies relating to workplace health and safety;

(v) developing the approach of the Corporation to corporate governance, including to the extent appropriate developing a set of governance principles and guidelines that are specifically applicable to the Corporation; and

(vi) examining the corporate governance practices within the Corporation and altering such practices when circumstances warrant.

G. Reporting and Communication

The Board is responsible for the oversight and review of the following matters and may rely on management of the Corporation to the extent appropriate in connection with addressing such matters:

(i) ensuring that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with management, shareholders, other stakeholders, and the public generally;

(ii) ensuring that the financial results of the Corporation are adequately reported to shareholders, other security holders, and regulators on a timely and regular basis;

(iii) ensuring that the financial results are reported fairly and in accordance with applicable generally accepted accounting standards;

(iv) ensuring the timely and accurate reporting of any developments that could have a significant and material impact on the value of the Corporation; and

(v) reporting annually to the shareholders of the Corporation on the affairs of the Corporation for the preceding year.

H. Monitoring and Acting

The Board is responsible for the oversight and review of the following matters and may rely on management of the Corporation to the extent appropriate in connection with addressing such matters:

(i) monitoring the Corporation's progress in achieving its goals and objectives and, if necessary, revising and altering, through management, the direction of the Corporation in response to changing circumstances;

(ii) considering taking action when performance falls short of the goals and objectives of the Corporation or when other special circumstances warrant;

(iii) reviewing and approving material transactions involving the Corporation;

(iv) ensuring that the Corporation has implemented adequate internal control and management information systems;

(v) assessing the individual performance of each Director and the collective performance of the Board; and

(vi) overseeing the size and composition of the Board as a whole to facilitate more effective decision-making by the Corporation.

4. BOARD'S EXPECTATIONS OF MANAGEMENT

The Board expects each member of management to perform such duties, as may be reasonably assigned by the Board from time to time, faithfully, diligently, to the best of his or her ability, and in the best interests of the Corporation. Each member of management is expected to devote substantially all of his or her business time and efforts to the performance of such duties. Management is expected to act in compliance with and to ensure that the Corporation is in compliance with all laws, rules and regulations applicable to the Corporation.

5. RESPONSIBILITIES AND EXPECTATIONS OF DIRECTORS

The responsibilities and expectations of each Director are as follows:

A. Commitment and Attendance

All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Members may attend by telephone.

B. Participation in Meetings

Each Director should be sufficiently familiar with the business of the Corporation, including its financial position and capital structure and the risks and competition it faces, to actively and effectively participate in the deliberations of the Board and of each committee on which he or she is a member. Upon request, management should make appropriate personnel available to answer any questions a Director may have about any aspect of the business of the Corporation. Directors should also review the materials provided by management and the Corporation's advisors in advance of meetings of the Board and committees and should arrive prepared to discuss the matters presented.

C. Code of Business Conduct and Ethics

The Corporation has adopted a Code of Business Conduct and Ethics to deal with the business conduct of Directors and officers of the Corporation. Directors should be familiar with the provisions of the Code of Business Conduct and Ethics. Each Director should also strive to perform his or her duties in keeping with current and emerging corporate governance best practices for directors of publicly-traded corporation.

D. Other Directorships

The Corporation values the experience Directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a Director's time and availability, and may also present conflicts issues. Directors should advise the chair of the Corporate Governance Committee before accepting any new membership on other boards of directors or any other affiliation with other businesses or governmental bodies which involve a significant commitment by the Director.

E. Contact with Management

All Directors may contact the CEO at any time to discuss any aspect of the business of the Corporation. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for Directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.