

CARDIOL THERAPEUTICS INC.
(the "Corporation")
BOARD OF DIRECTORS' MANDATE

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 Ontario Business Corporations Act (“**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 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 Corporate Governance and Compensation Committee (the "**CG&C 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, it being understood that the CEO may not be present during voting or deliberations on his or her compensation;
- (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 CG&C Committee and the CEO, the remuneration of all corporate officers;
- (vii) consider, and if considered appropriate, approve, upon the recommendation of the CG&C 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 is appropriately addressing environmental, social and governance (ESG) matters, including the following:
 - (A) ensuring that the Corporation sets appropriate environmental standards for its operations and operates in material compliance with environmental laws and legislation;
 - (B) 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;

- (C) 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
- (iv) 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 in all material respects 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 or video conference.

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 addressing 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 a 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 CG&C 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.

Approved September 7, 2018
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