MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management discussion and analysis is as of May 12, 2008 and should be read in conjunction with our unaudited consolidated financial statements for the three months ended March 31, 2008 and the related notes included thereto. Our consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These principles differ in certain respects from United States generally accepted accounting principles ("US GAAP"). All amounts are expressed in Canadian dollars unless otherwise indicated.

The forward-looking statements in this discussion regarding our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are based on our current expectations and beliefs, including certain factors and assumptions, as described in our Annual Information Form, but are also subject to numerous risks and uncertainties, as described in the "Risk Factors" section of our Annual Information Form. As a result of these risks and uncertainties, or other unknown risks and uncertainties, our actual results may differ materially from those contained in any forward-looking statements. The words "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We undertake no obligation to update forward-looking statements, except as required by law. Additional information relating to our company, including our 2007 Annual Information Form, is available by accessing the SEDAR website at www.sedar.com or the EDGAR website at www.sec.gov/edgar.

OVERVIEW

We are a life sciences company focused on developing drugs to treat or prevent cardiovascular diseases. Our current clinical efforts are focused on the treatment of atrial arrhythmias. We have also recently initiated a Phase 1 clinical program for GED-aPC, an engineered analog of recombinant human activated Protein C, and have a pre-clinical program directed at improving cardiovascular function.

Atrial fibrillation is an arrhythmia, or abnormal rhythm, of the upper chambers of the heart. In Q4-2004 and Q3-2005, we announced positive top-line results for two pivotal Phase 3 atrial fibrillation trials, ACT 1 and ACT 3, respectively, for the intravenous formulation of vernakalant hydrochloride (vernakalant (iv), formerly known as RSD1235 (iv)), our lead product candidate for the acute conversion of atrial fibrillation. In addition, in Q2-2007 we announced positive results from an additional Phase 3 study, ACT 2, evaluating patients with post-operative atrial arrhythmia, and we have completed an open-label safety study, ACT 4, in conjunction with our co-development partner Astellas Pharma US, Inc. (Astellas). In Q1-2006, Astellas submitted a New Drug Application (NDA) to the United States Food & Drug Administration (FDA) seeking approval to market vernakalant (iv) for the acute conversion of atrial fibrillation. In Q2-2006, we announced Astellas' receipt of a "refusal to file" letter from the FDA for the NDA for vernakalant (iv). In Q4-2006, Astellas re-submitted the NDA for vernakalant (iv) to the FDA, triggering a US$10 million payment to us. In Q1-2007, we announced that the FDA had accepted the NDA for vernakalant (iv) for review. In Q3-2007, we announced that the FDA would be extending the review period for the NDA for vernakalant (iv) into January 2008. In December 2007, we and Astellas participated in a panel review conducted by the Cardiovascular and Renal Drugs Advisory Committee, and announced that the panel members voted 6 to 2 in favour of recommending to the FDA that vernakalant (iv) be approved for rapid conversion of acute atrial fibrillation to sinus rhythm. In January 2008, we announced that Astellas was informed by the FDA that a decision had not yet been made regarding the NDA for vernakalant (iv). The FDA did not provide an action letter prior to the target *Prescription Drug User Fee Act* (PDUFA) date of January 19, 2008. We continue to await an action from the FDA. In Q1-2008 we initiated a Phase 3 European comparator study for vernakalant (iv), and we expect to file for marketing approval for vernakalant (iv) in the European Union in late 2008 or early 2009.

We are also developing an oral formulation of vernakalant hydrochloride (vernakalant (oral), formerly known as RSD1235 (oral)) for maintenance of normal heart rhythm following termination of atrial fibrillation. A Phase 2a pilot study was initiated in Q4-2005, and in Q3-2006 we announced positive results for the completed study. A Phase 2b clinical study for vernakalant (oral) was initiated in Q1-2007 and is ongoing. We announced positive interim results from this study in March 2008. Final results from this study are expected in the third quarter of 2008.

In Q2-2007, Cardiome acquired exclusive worldwide rights to GED-aPC, an engineered analog of recombinant human activated Protein C, for all indications. Cardiome intends to initially develop GED-aPC in cardiogenic shock, a life-threatening form of acute circulatory failure due to cardiac dysfunction, which is a leading cause of death for patients hospitalized following a heart attack.

CORPORATE DEVELOPMENT

In March 2008 we announced that in response to detailed expressions of interest from global and regional pharmaceutical companies in pursuit of partnership opportunities for vernakalant, Cardiome's Board of Directors engaged Merrill Lynch & Co. as its financial advisor to assist in evaluating these partnership opportunities as well as alternative strategies beyond partnerships to maximize shareholder value. We are currently engaged in discussions with multiple parties, and we expect resolution of the review in mid-2008. There can be no assurance, however, that our review of partnership opportunities and other strategic alternatives will result in any specific transaction.

CLINICAL DEVELOPMENT

The following table summarizes recent clinical trials associated with each of our research and development programs:

Project	Stage of Development	Current Status
Vernakalant (iv)	Phase 3 Clinical Trial (ACT 2)	Trial initiated in Q1-2004. Results released in Q2-2007.
	Open-Label Safety Study (ACT 4)	Study initiated in Q3-2005. Study completed.
	NDA	Originally submitted in Q1-2006. "Refusal to file" letter issued by FDA in Q2-2006. Re-submitted in Q4-2006. FDA decision pending.
	European Comparator Study	Trial initiated in Q1-2008.
Vernakalant (oral)	Phase 2a Pilot Study	Trial initiated in Q4-2005. Results released in Q3-2006.
	Phase 2b Clinical Trial	Trial initiated in Q1-2007. Interim results released in March 2008. Study ongoing.
GED-aPC	Phase 1	Phase 1 study initiated in Q4-2007.
Artesian Projects	Pre-Clinical Stage	Pre-clinical studies underway.

The following provides a description of the clinical development status for each of our projects:

Vernakalant (iv)

During Q1-2008, we continued preparation and evaluation of regulatory and distribution strategies outside of North America. We have initiated a Phase 3 European comparator study for vernakalant (iv), and anticipate filing for marketing approval for vernakalant (iv) in the European Union in late 2008 or early 2009.

The ACT 2 Clinical Trial

The ACT 2 clinical trial, initiated in Q1-2004, evaluated the efficacy and safety of vernakalant (iv) in the treatment of patients who have developed atrial fibrillation following cardiac surgery. The primary endpoint was acute conversion of atrial fibrillation to normal heart rhythm. We announced positive results from this study in Q2-2007.

The ACT 4 Study

In Q4-2005, our collaborative partner Astellas initiated an open-label safety study, called ACT 4. This completed study further evaluated the safety of vernakalant (iv) in recent-onset atrial fibrillation patients, and was intended to augment the safety database associated with the NDA submission for vernakalant (iv). Final efficacy and safety data from this study was submitted in Q3-2007 at the request of the FDA.

Vernakalant (oral)

During Q1-2008, we continued our clinical work on the Phase 2b trial for vernakalant (oral).

Phase 2b Clinical Trial

In Q1-2007, we initiated a Phase 2b clinical trial of vernakalant (oral) for the prevention of recurrence of atrial fibrillation. The double-blind, placebo-controlled, randomized, dose-ranging study is designed to measure the safety and efficacy of vernakalant (oral) over 90 days of oral dosing in patients at risk of recurrent atrial fibrillation. We reported positive interim results from this trial in March 2008. Total enrollment of 735 patients is complete, of which we expect approximately 590 will enter the maintenance phase and be measured for efficacy and safety. Final results from this study are expected in mid-2008.

GED-aPC

During Q1-2008, we conducted pre-clinical research, development and manufacturing work, and continued our clinical work on a Phase 1 trial for the compound.

Phase 1 Clinical Trial

In Q4-2007, we announced initiation of subject dosing in a Phase 1 study of GED-aPC. The single-blinded, placebo-controlled, dose-ranging study will measure the safety, tolerability, pharmacokinetics and pharmacodynamics of GED-aPC in 24 healthy subjects, with each subject receiving a 15-minute loading dose at the start of a 24-hour continuous intravenous infusion of GED-aPC. Results from this study are expected in the second half of 2008.

Other Projects

We continue to conduct pre-clinical research and development work on the Artesian projects, with the goal of reaching a decision regarding the advancement of one of the Artesian molecules into clinical studies.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our internal controls over financial reporting that occurred during the three months ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Our interim consolidated financial statements are prepared in accordance with Canadian GAAP. These accounting principles require us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. We believe that the estimates and assumptions upon which we rely are reasonable based upon information available at the time that these estimates and assumptions were made. Actual results may differ from these estimates under different assumptions or conditions. Significant areas requiring management estimates include the assessment of net recoverable value and amortization period of technology licenses and patents, clinical trial accounting, revenue recognition, stock-based compensation, and recognition of future income tax assets.

The significant accounting policies that we believe are the most critical in fully understanding and evaluating our reported financial results include intangible assets, clinical trial accounting, revenue recognition, research and development costs, stock-based compensation, and income taxes. These and other significant accounting policies are described more fully in Note 2 of our 2007 consolidated annual financial statements and in our 2007 annual management discussion and analysis.

Changes in Significant Accounting Policies

On January 1, 2008, we adopted the Canadian Institute of Chartered Accountants (CICA) Handbook section 1535, *Capital Disclosures* (Section 1535), Handbook section 3862, *Financial Instruments - Disclosures* (Section 3862) and Handbook section 3863, *Financial Instruments – Presentation* (Section 3863).

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. We have included disclosures recommended by Section 1535 in note 6 of the interim consolidated financial statements.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer,

between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classification and valuation of our financial instruments. We have included disclosures recommended by these new Handbook Sections in note 7 of the interim consolidated financial statements.

Impact of Accounting Pronouncements Affecting Future Periods

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with this new standard. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. We are currently assessing the impact of this new accounting standard on our consolidated financial statements.

On February 13, 2008, the Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. We are currently assessing the impact of these new accounting standards on our consolidated financial statements.

RESULTS OF OPERATIONS

We recorded a net loss of $22.2 million ($0.35 per common share) for the three months ended March 31, 2008 (“Q1-2008”), compared to a net loss of $14.0 million ($0.23 per common share) for the three months ended March 31, 2007 (“Q1-2007”). The increase in net loss for the current quarter was largely due to lower licensing and research collaborative fees and increased research and development expenditures related to vernakalant (oral) and GED-aPC clinical activities.

Operating costs are expected to decrease for the remainder of the year as we are nearing completion of our Phase 2b clinical trial for vernakalant (oral). We will continue to incur costs related to the European comparator study and the development of GED-aPC. Expected licensing and research collaborative fees or royalty revenue are not expected to be higher than our operating costs within this period should we successfully meet our collaborative milestones or obtain commercialization approval for vernakalant (iv).

Revenues

Revenue for Q1-2008 was $0.4 million, a decrease of $1.3 million from $1.7 million in Q1-2007. Revenue in Q1-2008 consisted of $0.2 million (Q1-2007 - $0.4 million) in licensing fees and $0.2 million (Q1-2007 - $1.3 million) in research and collaborative fees.

Licensing fees represent milestone payments and the amortization of deferred revenue related to upfront payments from our collaborative partner. No milestone payments were received or recognized in Q1-2008 or Q1-2007. In Q1-2008, we recognized the remainder of deferred revenue related to the upfront payment and premium on equity investment from Astellas.

Research and collaborative fees are comprised of contract research fees and project management fees from our collaborative partner. The decrease in research and collaborative fees in Q1-2008 was mainly attributable to decreased recoverable research and development activity associated with vernakalant (iv).

In the future, depending on the results and timing of a decision by the FDA, we may earn additional milestone payments and royalties from Astellas. We may also earn revenue from new licensing and collaborative research and development agreements with other pharmaceutical companies. There can be no assurance, however, that we will maintain our existing agreements or enter into new licensing or collaborative research and development agreements.

Research and Development Expenditures

Research and development (R&D) expenditures were $18.1 million for Q1-2008 compared to $11.8 million for Q1-2007.

(in millions of dollars)	For the Three Months Ended March 31	
Project	2008 $	2007 $
Vernakalant (oral)	12.1	8.2
Vernakalant (iv)	2.8	2.1
GED-aPC	2.2	-
Other projects	1.0	1.5
Total research and development expenses	18.1	11.8

The increase of $6.3 million in R&D expenditures in Q1-2008 was primarily due to the nature of work being performed as a result of the stage of the projects. For vernakalant (oral), we incurred patient fee and interim analysis costs in Q1-2008 compared to trial set-up and manufacturing costs in Q1-2007, all related to our ongoing Phase 2b trial. For vernakalant (iv), we incurred costs relating to the initiation of the Phase 3 European comparator study in Q1-2008 compared to final costs for the Act 2 and Act 4 trials in Q1-2007. In Q1-2008, we also incurred costs to continue R&D activities on our new clinical drug candidate, GED-aPC, which was acquired in April 2007. Spending on other projects largely related to continued advancement of our Artesian programs.

For the remainder of the year, we expect to incur decreased R&D expenditures as we are nearing completion of our Phase 2b clinical trial for vernakalant (oral). We expect to continue to incur costs related to the European comparator study for vernakalant (iv) and the development of GED-aPC.

General and Administration Expenditures

General and administration (G&A) expenditures for Q1-2008 were $4.1 million compared to $4.6 million for Q1-2007. The decrease of $0.5 million in G&A expenditures in the current quarter compared to those incurred in the same period of fiscal 2007 was primarily due to lower stock based compensation expense as a result of the timing of stock option grants and a decrease in travel costs in Q1-2008.

For the remainder of the year, we expect our G&A expenditures to remain at current levels.

Amortization

Amortization for Q1-2008 was $1.1 million compared to $0.5 million for Q1-2007. The increase of $0.6 million in amortization in Q1-2008 was primarily due to the amortization recorded for the GED-aPC technology license which was acquired in April 2007.

Other Income

Interest and other income in $0.3 million for Q1-2008 compared to $1.4 million in Q1-2007. The decrease for the current quarter was primarily due to lower interest rates and lower average cash and short-term investment balances.

SUMMARY OF QUARTERLY RESULTS

Set forth below is the selected unaudited consolidated financial data for each of the last eight quarters:

(In thousands of Canadian dollars except per share amounts)	1st Quarter ended March 31, 2008	4th Quarter ended December 31, 2007	3rd Quarter ended September 30, 2007	2nd Quarter ended June 30, 2007
Total revenue	$ 456	$ 1,110	$ 961	$ 1,098
Research and development	18,068	20,163	15,029	9,771
General and administration	4,112	4,898	4,197	4,831
Net loss for the period	(22,179)	(25,311)	(31,554)	(14,586)
Basic and diluted net loss per common share	(0.35)	(0.40)	(0.50)	(0.23)

	1st Quarter ended March 31, 2007	4th Quarter ended December 31, 2006	3rd Quarter ended September 30, 2006	2nd Quarter ended June 30, 2006
Total revenue	$ 1,710	$ 13,081	$ 2,401	$ 2,134
Research and development	11,830	12,324	10,865	11,195
General and administration	4,616	3,932	3,890	3,241
Net loss for the period	(14,036)	(1,309)	(11,974)	(14,748)
Basic and diluted net loss per common share	(0.23)	(0.02)	(0.23)	(0.28)

The primary factors affecting the magnitude of our losses in the various quarters were licensing revenues, R&D costs associated with clinical development programs, foreign exchange losses, and stock based compensation expense.

The significant increase in revenue for the fourth quarter of 2006, when compared with the other quarters, was due to the milestone payment of $11.7 million (US$10.0 million) earned for the re-submission of the NDA for vernakalant (iv). The substantial increase in losses for the 3rd and 4th quarters of 2007, as well as the 1st quarter of 2008, when compared with the other quarters, was due to increased research and clinical costs associated with our vernakalant (oral) Phase 2b clinical trial, and costs associated with the development of our new clinical drug candidate, GED-aPC. The 3rd quarter of 2007 loss also included

foreign exchange losses of $13.4 million reflecting the decreased value of the US dollar compared to the Canadian dollar during the quarter. The general trend of increases in G&A costs from the 2nd quarter of 2006 is the result of supporting the expanded clinical development activities and the higher cost of corporate governance. The decrease in G&A costs in Q3-2007 and Q1-2008 compared to the other quarters in 2007 is due to lower stock-based compensation expense recognized in the periods.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Our operational activities during the current quarter were financed mainly by our working capital carried forward from the preceding fiscal year and research collaborative fees collected from Astellas. We believe that our cash position as of March 31, 2008 and the anticipated cash inflows from our collaborative partner, future collaborative partners and interest income should be sufficient to finance our operational and capital needs for at least the next 12 months. However, our future cash requirements may vary materially from those now expected due to a number of factors, including the costs associated with the completion of the clinical trials and revenues associated with collaborative and license arrangements with third parties. We will continue to review our financial needs and seek additional financing as required from sources that may include future collaborative and licensing agreements, equity or debt financing.

At March 31, 2008, we had working capital of $34.8 million compared to $55.2 million at December 31, 2007. We had available cash reserves comprised of cash and cash equivalents of $50.7 million at March 31, 2008 compared to cash and cash equivalents and short-term investments of $68.1 million at December 31, 2007.

Cash used in operating activities for Q1-2008 was $19.2 million compared to $15.6 million for Q1-2007. The increase of $3.6 million in cash used in operating activities in Q1-2008 compared to Q1-2007 was primarily due to an increase of $9.2 million in net loss after adjusting for all non-cash items. This increased cash operating loss reflects increased costs in R&D activities. This is offset by a decrease in net cash payments of $5.6 million related to accounts receivable, accounts payable, prepaids, and deferred revenue.

Cash provided by financing activities for Q1-2008 was $nil compared to $107.3 million for Q1-2007. The main sources of cash in the prior year quarter were net proceeds from the completion of the public offering in January 2007 and cash receipts from the issuance of our common shares upon exercise of stock options.

Cash used in investing activities in Q1-2008 was $0.2 million relating to the purchase of property and equipment. Cash used in investing activities in Q1-2007 was $88.2 million relating to the purchase of short-term investments with the net proceeds from the public offering of our common shares completed in January 2007.

As of March 31, 2008 and in the normal course of business we have obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual Obligations	Payment due by period				
(In thousands of dollars)	2008 $	2009-2010 $	2011–2012 $	Thereafter $	Total $
Other long-term Obligations	16	50	61	41	168
Operating Lease Obligations	775	2,778	2,923	1,801	8,277
Commitments for Clinical Research Agreements	15,512	3,824	Nil	Nil	19,336
Total	16,303	6,652	2,984	1,842	27,781

Outstanding Share Capital

As of May 12, 2008, we had 63,742,796 common shares issued and outstanding and 4,990,063 common shares issuable upon the exercise of outstanding stock options (of which 3,441,219 were exercisable) at a weighted average exercise price of $8.37 per share.

RELATED PARTY TRANSACTIONS

Included in accounts payable and other liabilities as of March 31, 2008 was $0.3 million (December 31, 2007 - $0.5 million) owing to a legal firm where our corporate secretary is a partner. The amounts charged were recorded at their exchange amounts and are subject to normal trade terms. We incurred approximately $0.3 million of legal fees for services provided by this legal firm during the current quarter, compared to $0.4 million for the same quarter in fiscal 2007.

OFF-BALANCE SHEET ARRANGEMENTS

We have no material undisclosed off-balance sheet arrangements, other than discussed under contractual obligations.

FINANCIAL INSTRUMENTS AND RISKS

We are exposed to market risks related to changes in interest rates and foreign currency exchange rates, each of which could affect the value of our current assets and liabilities. We invest our cash reserves in fixed rate, highly liquid and highly rated financial instruments such as treasury bills, commercial papers and banker's acceptances. We do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our investment portfolio, due to the relative short-term nature of the investments and our current ability to hold fixed income investments to maturity. We have not entered into any forward currency contracts or other financial derivatives to hedge foreign exchange risk. We are subject to foreign exchange rate changes that could have a material effect on future operating results or cash flows.

Our future cash requirements may vary materially from those now expected due to a number of factors, including the costs associated with the completion of the clinical trials and revenues associated with collaborative and license arrangements with third parties. We will continue to review our financial needs and seek additional financing as required from sources that may include future collaborative and licensing agreements, equity or debt financing. There can be no assurance, however, that additional funding will be available, or if available whether acceptable terms will be offered.