Consolidated Financial Statements

(Expressed in thousands of United States (U.S.) dollars)

(Prepared in accordance with generally accepted accounting principles used in the United States of America (U.S. GAAP))

CARDIOME PHARMA CORP.

Periods ended June 30, 2013 and 2012

(Unaudited)

CARDIOME PHARMA CORP.

Consolidated Balance Sheets
(Unaudited)
(Expressed in thousands of U.S. dollars, except share amounts)
(Prepared in accordance with U.S. GAAP)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 19,707	$ 41,267
Accounts receivable	511	978
Inventories (note 5)	2,800	-
Prepaid expenses and other assets	824	771
	23,842	43,016
Property and equipment	234	271
Intangible assets	1,381	1,506
	$ 25,457	$ 44,793
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	1,763	$ 4,434
Current portion of long-term debt (note 7)	-	32,500
	1,763	36,934
Stockholders' equity:		
Common stock	262,439	262,439
Authorized - unlimited number with no par value		
Issued and outstanding – 12,470,335 (2012 - 12,470,335) (note 8)		
Additional paid-in capital	32,970	32,754
Deficit	(289,900)	(305,519)
Accumulated other comprehensive income	18,185	18,185
	23,694	7,859
	$ 25,457	$ 44,793

Related party transactions (note 11)

Contingencies (note 12)

Subsequent events (note 13)

See accompanying notes to the consolidated financial statements.

CARDIOME PHARMA CORP.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(Expressed in thousands of U.S. dollars, except share and per share amounts)
(Prepared in accordance with U.S. GAAP)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenue:				
Licensing and other fees	$ 107	$ 170	$ 167	$ 319
Research collaborative fees	-	39	-	323
	107	209	167	642
Expenses:				
Research and development	35	2,255	405	5,183
Selling, general and administration	2,974	2,207	5,210	4,759
Restructuring (note 10)	(57)	165	(130)	969
Amortization	108	235	216	473
	3,060	4,862	5,701	11,384
Operating loss	(2,953)	(4,653)	(5,534)	(10,742)
Other income (expenses):				
Interest income (expense)	11	(1,144)	27	(2,229)
Gain on extinguishment of debt (note 7)	-	-	20,834	-
Other income	176	154	328	308
Foreign exchange gain (loss)	(8)	(34)	(36)	16
	179	(1,024)	21,153	(1,905)
Net income (loss) and comprehensive income (loss) for the period	(2,774)	$ (5,677)	15,619	$ (12,647)
Income (loss) per common share[1]				
Basic	$ (0.22)	$ (0.46)	$ 1.25	$ (1.03)
Diluted	(0.22)	(0.46)	1.25	(1.03)
Weighted average common shares outstanding[1]				
Basic	12,470,335	12,225,818	12,470,335	12,225,818
Diluted	12,470,335	12,225,818	12,491,987	12,225,818

(1) Basic and diluted income (loss) per common share based on the weighted average number of common shares outstanding during the period, which has been adjusted retroactively to reflect the effects of the one-for-five share consolidation (note 8).

See accompanying notes to the consolidated financial statements.

CARDIOME PHARMA CORP.

Consolidated Statements of Stockholders' Equity
(Unaudited)
(Expressed in thousands of U.S. dollars)
(Prepared in accordance with U.S. GAAP)

For the six months ended June 30, 2013	Common stock	Additional paid-in capital	Deficit	Accumulated other comprehensive income	Total stockholders' equity
Balance at December 31, 2012	$ 262,439	$ 32,754	$ (305,519)	$ 18,185	$ 7,859
Net Income	-	-	15,619	-	15,619
Stock-based compensation expense recognized	-	216	-	-	216
Balance at June 30, 2013	$ 262,439	$ 32,970	$ (289,900)	$ 18,185	$ 23,694

For the six months ended June 30, 2012	Common stock	Additional paid-in capital	Deficit	Accumulated other comprehensive income	Total stockholders' equity
Balance at December 31, 2011	$ 262,097	$ 32,208	$ (287,204)	$ 18,185	$ 25,286
Net loss	-	-	(12,647)	-	(12,647)
Stock-based compensation expense recognized	-	305	-	-	305
Balance at June 30, 2012	$ 262,097	$ 32,513	$ (299,851)	$ 18,185	$ 12,944

See accompanying notes to the consolidated financial statements.

CARDIOME PHARMA CORP.

Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in thousands of U.S. dollars)
(Prepared in accordance with U.S. GAAP)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Cash flows from operating activities:				
Net income (loss) for the period	(2,774)	$ (5,677)	15,619	$ (12,647)
Items not affecting cash:				
Amortization	108	235	216	473
Stock-based compensation	123	175	216	305
Deferred leasehold inducement	-	(30)	-	(57)
Gain on settlement of debt (note 7)	-	-	(20,834)	-
Unrealized foreign exchange loss (gain)	-	8	24	(39)
Other	(39)	(26)	(12)	5
Changes in operating assets and liabilities:				
Accounts receivable	(338)	116	453	(258)
Inventories	(2,800)	-	(2,800)	-
Prepaid expenses and other assets	(85)	411	(118)	237
Accounts payable and accrued liabilities	(237)	(15)	(1,288)	(809)
Net cash used in operating activities	(6,042)	(4,803)	(8,524)	(12,790)
Cash flows from investing activities:				
Purchase of property and equipment	(13)	-	(13)	(90)
Purchase of intangible assets	(22)	(26)	(40)	(135)
Net cash used in investing activities	(35)	(26)	(53)	(225)
Cash flows from financing activities:				
Proceeds from sale of property and equipment	55	-	79	-
Proceeds from draws of long-term debt	-	-	-	25,000
Repayment of long-term debt (note 7)	-	-	(13,000)	-
Net cash provided by (used in) financing activities	55	-	(12,921)	25,000
Effect of foreign exchange rate changes on cash and cash equivalents	(18)	(16)	(62)	47
Increase (decrease) in cash and cash equivalents during the period	(6,040)	(4,845)	(21,560)	12,032
Cash and cash equivalents, beginning of period	25,747	65,521	41,267	48,644
Cash and cash equivalents, end of period	$ 19,707	$ 60,676	$ 19,707	$ 60,676
Supplemental cash flow information:				
Interest paid	$ -	$ 1,147	$ -	$ 2,237
Interest received	11	3	27	7

See accompanying notes to the consolidated financial statements.

1. Basis of presentation:

These unaudited interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles used in the United States of America (U.S. GAAP) and are presented in U.S. dollars. They include all adjustments consisting solely of normal, reoccurring adjustments necessary for fair presentation of the periods presented. These unaudited interim consolidated financial statements do not include all note disclosures required by U.S. GAAP on an annual basis, and therefore should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2012 filed with the appropriate securities commissions. The results of operations for the three and six month periods ended June 30, 2013 and 2012 are not necessarily indicative of the results for the full year.

The Company has financed its cash requirements primarily from share issuances, payments from research collaborators, licensing fees and draws from a credit facility that was available under the Company's collaborative agreement (note 7). The Company's ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be predicted at this time. It may be necessary for the Company to raise additional funds. These funds may come from sources which include entering into strategic collaboration arrangements, issuance of shares, or alternative sources of financing. However, there can be no assurance that the Company will successfully raise funds to continue the development and commercialization of vernakalant and operational activities.

2. Changes in significant accounting policies:

(a) FASB Amendments

In February 2013, the Financial Accounting Standards Board (FASB) issued amendments to the accounting guidance for presentation of comprehensive income, requiring an entity to provide additional information about reclassifications of accumulated other comprehensive income. The amendments, which are effective prospectively for reporting periods beginning after December 15, 2012, do not change the current requirements for reporting net income or other comprehensive income. On January 1, 2013, the Company prospectively adopted the amendments. The adoption of these amendments did not have a material impact on the presentation of the Company's result of operations for the periods presented.

(b) Inventories

Inventories consist of unfinished product (work in process) and are measured at the lower of cost and net realizable value. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Expressed in thousands of U.S. dollars except share and per share amounts and where otherwise indicated)

3. Future changes in accounting policies:

In March 2013, the FASB issued amendments on foreign currency matters relating to a parent's accounting for the cumulative translation adjustment upon de-recognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The amendments clarify the applicable guidance for the release of the cumulative translation adjustment (CTA) under current U.S. GAAP. These amendments will be effective prospectively for reporting periods beginning after December 15, 2013. The Company does not expect the adoption of the amendments to have a material impact on the Company's financial position or results of operation.

4. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate carrying values because of their short-term nature.

5. Inventories:

	June 30, 2013	December 31, 2012
Work in process	$ 2,800	$ -
	$ 2,800	$ -

Pursuant to the Debt Settlement Agreement between the Company and Merck Sharp and Dohme Corp. (formerly Merck & Co, Inc.) (Merck) (note 7), the Company purchased $2.8 million of work in process inventories including unlabeled vials of vernakalant (IV) and active pharmaceutical ingredients for vernakalant (IV).

(Expressed in thousands of U.S. dollars except share and per share amounts and where otherwise indicated)

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities comprise:

	June 30, 2013	December 31, 2012
Trade accounts payable	$ 858	$ 1,045
Accrued contract research	140	447
Employee-related accruals	517	808
Restructuring (note 10)	48	567
Interest payable	-	1,334
Other accrued liabilities	200	233
	$ 1,763	$ 4,434

7. Long term debt:

On February 28, 2013, the debt settlement agreement dated December 10, 2012, and amended on December 31, 2012, between the Company and Merck was further amended (the “Debt Settlement Agreement”), allowing the Company to pay the balance of the debt settlement amount prior to March 31, 2013. On March 1, 2013, the Company paid the remaining $13 million of the $20 million agreed-upon debt settlement payment, extinguishing all outstanding debt obligations to Merck. The Company recorded a gain on debt settlement of $20,834 for the three months ended March 31, 2013. With this final payment, all outstanding debt obligations are extinguished and Merck has released and discharged the collateral security taken in respect of the advances under the line of credit.

8. Stockholders’ equity:

On April 12, 2013, the Company’s common shares were consolidated on a one-for-five basis. All shares and per share amounts in these consolidated financial statements have been adjusted retroactively for all periods presented to reflect the effects of the share consolidation.

9. Collaborative agreements:

Pursuant to two collaboration and license agreements with Merck (the “Collaboration Agreements”), the Company granted Merck exclusive global rights for the development and commercialization of vernakalant (IV) and vernakalant (oral).

On March 19, 2012, the Company announced Merck’s decision to discontinue further development of vernakalant (oral).

On September 25, 2012, Merck gave notice to the Company of its termination of both collaboration and license agreements.

9. Collaborative agreements (continued):

On April 24, 2013, the Company entered into a Transition Agreement with Merck ("Transition Agreement") to amend and supplement the provisions of the Collaboration Agreements governing their respective rights and responsibilities in connection with the termination of the Collaboration Agreements and the reversion and transfer of rights and responsibilities for vernakalant to the Company. Pursuant to this agreement, the Company will take responsibility for worldwide sales, marketing, and promotion of vernakalant IV.

Under the Transition Agreement, the Company continued to receive relevant royalties on worldwide sales, as well as a promotional services fee, which has been included in licensing and other fees. Regulatory product rights and product distribution responsibility are expected to transfer to the Company upon transfer of the marketing authorization in the respective countries, following which the Company will recognize all BRINAVESS™ revenue and Merck will cease paying royalties or any promotional services fee for such countries. Merck will either terminate or transfer sponsorship responsibility for each relevant clinical study to the Company by September 15, 2013.

On June 27, 2013, the European Commission approved the transfer of the centrally-approved marketing authorization for BRINAVESS™ from Merck to the Company. The Company is now the new marketing authorization holder for BRINAVESS™ in the member states of the European Union. The Company and Merck will continue to work together until September 15, 2013 to finalize the organizational arrangement for transfer of all responsibilities, including batch release, and operational management of the post-approval safety study.

10. Restructuring:

In March and July of 2012, the Company reduced its workforce, exited redundant leased facilities and terminated certain contracts. The workforce reduction initiative was completed in 2012, with the related liability substantially paid out in the first quarter of 2013. The majority of the liability associated with idle-use expense and other charges, which related to redundant leased facilities, is expected to be settled by the end of first quarter of 2014.

(Expressed in thousands of U.S. dollars except share and per share amounts and where otherwise indicated)

10. Restructuring (continued):

The following table summarizes the provisions related to the restructuring for the period ended June 30, 2013:

	Employee termination benefits	Idle-use expense and other charges	Total
Balance at December 31, 2012	320	247	567
Revisions to prior accruals	(12)	(118)	(130)
Payments made	(308)	(31)	(339)
Non-cash items	-	(50)	(50)
Balance at June 30, 2013	-	48	48

11. Related party transactions:

The Company did not enter into any material related party transactions during the three or six months ended June 30, 2013.

12. Contingencies:

(a) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

(b) The Company entered into indemnification agreements with all officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company maintains appropriate liability insurance that limits the exposure and enables the Company to recover any future amounts paid, less any deductible amounts pursuant to the terms of the respective policies, the amounts of which are not considered material.

(c) The Company has entered into license and research agreements with third parties that include indemnification provisions that are customary in the industry. These indemnification provisions generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions may survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any

12. Contingencies (continued):

indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification obligations.

13. Subsequent events:

On July 1, 2013, the Company entered into an Assignment and Transition Agreement with Merck for the assignment of all rights, obligations, liabilities and interests under a Service Agreement ("Service Agreement") between Merck and a service provider, under which the service provider would conduct the set up and management of SPECTRUM (a post-approval safety study of vernakalant (IV)). Pursuant to this agreement, the Company will be liable for any services performed in accordance with the Service Agreement after September 15, 2013.