CANNASAT THERAPEUTICS INC.

For the years ended December 31, 2005 and 2004

All amounts are expressed in Canadian (CDN) dollars unless otherwise indicated

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

The discussion and analysis contained in this management discussion and analysis are as of April 28, 2006. The following information should be read in conjunction with our December 31, 2004 and December 31, 2005 year-end audited financial statements and related notes, which were prepared in accordance with Canadian generally accepted accounting principles.

Certain information contained in this "Management's Discussion and Analysis" contains forward-looking statements based on Cannasat's estimates and assumptions, which are subject to risks and uncertainties. This could cause Cannasat's actual results to differ materially from the forward-looking statements contained in this discussion.

Overview

Cannasat is researching the therapeutic benefits of cannabis and the development of novel cannabinoid pharmaceutical products. Cannasat is pursuing two complementary business strategies: (1) Medicinal cannabis research and development with Cannasat's business partner, Saskatoon-based Prairie Plant Systems Inc. ("PPS"), the only government licensed grower and distributor of medicinal cannabis in Canada; and (2) the development of novel cannabinoid-based pharmaceutical products to be introduced to the market through the traditional regulatory drug approval process.

During the 12-month period ended December 31, 2005, Cannasat continued to seek approval from Health Canada to conduct cannabis and cannabinoid research. In January 2005, Cannasat retained a government relations firm based in Ottawa to assist with these discussions. A license to conduct cannabinoid research was granted to Cannasat by Health Canada on October 3, 2005. This license was issued on a calendar-year basis and has been renewed by Health Canada for 2006.

Also during the 12 month period ended December 31, 2005, Cannasat commenced work on two pre-clinical research projects targeting different patient groups and symptoms. The work is currently being conducted by Cannasat researchers at our laboratory facilities in Edmonton, Alberta, along with researchers at two leading universities, and other parties that specialize in pharmaceutical drug development.

Revenue and Expenses

Revenue is currently generated from interest payments received from Prairie Plant Systems Inc. and other short term deposits. Cannasat expects longer-term revenues and profits to be generated from the commercialization of cannabinoid-based pharmaceuticals. These revenues are considered long-term as a result of the long lead times required to complete clinical trials and to receive regulatory approvals.

Research and development expenses consist primarily of personnel and related costs associated with physician and patient research and education initiatives the development of our cannabinoid-based pharmaceutical product candidates.

General and administration costs consist of personnel and related costs associated with our management, administrative and finance functions as well as our professional fees, office rent, insurance and other corporate expenses.

For a further discussion of Cannasat's revenues (or losses) and research and other expenses, reference should be made to the section below entitled "Results of Operations".

Prairie Plant Systems Investment

In August, 2004 Cannasat invested approximately $1,600,000 in PPS consisting of approximately $1,120,000 to purchase a 16.96% equity interest and $480,000 as a convertible loan bearing interest at 7% per annum maturing July 31, 2007. In addition, the parties agreed to form a strategic alliance for a term of 12 years. PPS, under contract with Health Canada, grows and delivers medical cannabis to Health Canada qualified and approved patients and researchers. PPS through its wholly-owned subsidiary, Sub-Terra LLC, has additional operations in the United States that are not strategic to Cannasat's business plan. In 2005, PPS announced its intention to increase its investment in Sub Terra LLC and that it is seeking additional capital for expansion, research and development and working capital. For the 12 months ended December 31, 2005, PPS continued to achieve its operating budgets and Cannasat recorded an equity investment loss of approximately $60,312.

The license by Health Canada in favour of PPS expired on December 31, 2005, and was extended to June 30, 2006. Health Canada has communicated its intent to issue a new Request for Proposal ("RFP") for medical marijuana production and distribution. Based on the original RFP process in 2000, it is expected that the new RFP process will take a minimum of 6 to12 months from beginning to end. Until the new RFP is announced and a new contract is awarded, Health Canada has a need to continue distributing medical marijuana to Marihuana Medical Access Regulations approved patients and qualified researchers. PPS and Health Canada are currently in discussions to continue their relationship but timing, terms and conditions have not yet been established. If the license is not further extended or renewed, the business, financial condition and results of operations of PPS and the investment by Cannasat in PPS could be materially adversely affected.

Contractual Commitments

The strategic alliance agreement with PPS requires Cannasat to spend or contribute $250,000 annually on one or more cannabis or cannabinoid related activities. This agreement has a term ending October 31, 2016.

Cannasat has entered into research and development obligations requiring total payments in the amount of $95,000 over the next 6 months.

On June 10, 2005, Cannasat entered into a license agreement with a research and development company with respect to the exclusive worldwide rights to make, use or sell licensed products. In order to acquire these rights, Cannasat executed and delivered two promissory notes on June 30, 2005 in the aggregate principal amount of $100,000 and agreed to issue 117,648 Class A common shares at an aggregate subscription price of $100,000 at a deemed value of $0.85 per share. On September 9, 2005, Cannasat issued these Class A common shares.

Agreements were made to settle accounts with two suppliers one of which is also a warrant holder. Two non-interest bearing promissory notes were issued in the aggregate amount of $20,900, payable within 30 days following the going public date if this date occurs prior to September 1, 2009. The notes may be paid in cash or the issuance of common shares equal in number to the value of the notes, each at the option of Cannasat. On April 24, 2006, Cannasat exercised the right to issue the noteholders common shares. The shares have not yet been issued.

Related Party Transactions

Cannasat made payments to Hill & Gertner Capital Corporation, which is a corporation owned by David Hill and Lorne Gertner, for rent and occupancy charges, management services and raising capital. During the 12 months ended December 31, 2005 these expenses aggregated $260,050 (December 31, 2004 - $135,000). These expenses were charged at rates that Cannasat's management believes were at fair value for the benefits or services received.

Accounting Policy Changes

Cannasat considered the requirements of the new CICA Accounting Guideline (AcG-15) "*Variable Interest Entities*" and determined that its investment in PPS was not subject to these Guidelines. Accordingly, the results of PPS have not been consolidated with those of Cannasat.

Financial Review – Comparison of the Years Ended December 31, 2005 and 2004

Results of Operations

Net Loss

During the 12-months ended December 31, 2005, Cannasat recorded a net loss of $1,903,752 compared to a loss of $755,483 for the fiscal year ended December 31, 2004. The accelerated expenditure is due to the increase in research activities and was in line with Cannasat's forecasts.

General and Administrative

General and administrative expenses for the 12 months ended December 31, 2005, increased to $1,058,263 from $467,818 for the year ended December 31, 2004. The increase in cost is attributed to the implementation of the management team and required infrastructure. Costs are in line with management projections for the year.

Research and Development

Cannasat accelerated its research and development activities in the 12 months ended December 31, 2005. Research and development expenditures increased to $548,670 from $132,048 for the year ended December 31, 2004. This increase reflects the advancement of Cannasat's research projects and acceleration of associated activities.

Summary of Financial Information ($)

	2005				2004			
	Q4$	**Q3$**	**Q2$**	**Q1$**	**Q4$**	**Q3$**	**Q2$**	**Q1$**
Revenues	-	-	-	-	-	-	-	-
Interest Income	16,000	15,000	13,000	12,000	12,000	-	-	-
Net Loss	476,000	681,000	359,000	388,000	255,000	426,000	66,000	9,000
Loss per share (basic)	0.03	0.03	0.02	0.02	0.01	0.03	0.01	0.00

Annual Information ($)

	2005	**2004**
Revenues	-	-
Interest Income	55,000	12,000
Net Loss	1,904,000	755,000
Total Assets	3,064,000	3,047,000
Loss per share (basic)	0.10	0.05

Liquidity and Capital Resources

Our primary capital needs are for funds to support our scientific research and development activities including pre-clinical and clinical trials. Since inception, we have financed our cash requirements primarily through issuances of securities.

Cannasat anticipates future funding requirements to be met primarily through additional securities issuances, research and development tax credits, other potential sources of government funding, or a combination of the foregoing.

Operating Activities

After excluding non-cash items, primarily stock option compensation expense, cash outflow from operating activities was $1,201,440 for the 12 months ended December 31, 2005 compared with $576,840 for the year ended December 31, 2004.

Financing Activities

Cannasat raised an additional $1,049,684 net of issue costs of $76,555 during the 12 months ended December 31, 2005 by the allotment and issuance of Cannasat Class A common shares.

During August, 2005 Cannasat restructured the securities issued to those investors who previously acquired Cannasat Class A common shares at $1.00 per share. The result of the restructuring was to reduce the effective subscription price of these shares to $0.67 per share.

During September, 2005 Cannasat acquired certain licensed rights and settled various compensation arrangements by issuing 282,311 Cannasat Class A common shares at $0.85 per share.

Financial Position

On December 31, 2005 Cannasat had $632,219 cash and cash equivalents on hand. Shareholders' equity decreased from $2,966,997 at December 31, 2004 to $2,543,724 at December 31, 2005 as the net loss for the 12 months ended December 31, 2005 exceeded the proceeds from share and warrant issuances.

Significant Events

On October, 2005, an announcement was made regarding a proposed transaction between Cannasat's predecessors, Cannasat Therapeutics Inc. ("Old Cannasat") and Lonsdale Public Ventures Inc. ("Lonsdale") pursuant to which they agreed to amalgamate. Lonsdale was a capital pool company pursuant to the rules of the TSX Venture Exchange Inc. (the "Exchange"). Subsequently, on March 22, 2006, Cannasat announced the completion of the amalgamation of Lonsdale and Old Cannasat, to form the current company, "Cannasat Therapeutics Inc." pursuant to the *Canada Business Corporations Act* (the "Amalgamation").

The Amalgamation constituted the qualifying transaction of Lonsdale pursuant to the policies of the Exchange and is the means by which Cannasat became a public issuer. Old Cannasat was a private company engaged in the business currently carried on by us, as discussed in further detail above under the heading "Overview". As at October 31, 2005, Lonsdale's only asset was approximately $977,000 in working capital.

The Amalgamation was a non-arm's length transaction and, as a result, shareholder approval was required pursuant to the policies of the Exchange. A meeting of the shareholders of Lonsdale was held on February 23, 2006, at which time, a "majority of the minority" shareholders of Lonsdale approved the Amalgamation in accordance with the policies of the Exchange. A meeting of the shareholders of Old Cannasat was held on February 28, 2006. At this time, the holders of common shares and Class A common shares, voting as separate classes, approved the Amalgamation.

Lonsdale Shareholders

Prior to the Amalgamation, Lonsdale had 7,800,000 common shares issued and outstanding and had granted options to acquire 1,115,000 common shares. As part of the Amalgamation, Lonsdale consolidated its shares on the basis of 1.194 common shares for each Common Share of Cannasat. After the completion of the Amalgamation, holders of Lonsdale common shares held 6,532,662 Common Shares in Cannasat. In addition, holders of Lonsdale options are entitled to acquire 967,336 Cannasat Common Shares.

Old Cannasat Shareholders

Prior to the Amalgamation, Old Cannasat had 12,000,000 common shares and 10,725,575 Class A common shares issued and outstanding. The company had also granted 2,090,000 warrants entitling holders to acquire 3,135,000 Class A common shares and 1,525,000 options entitling holders to acquire 1,525,000 Class A common shares.

Under the Amalgamation, the holders of common shares and Class A common shares in Old Cannasat received Common Shares in Cannasat with a deemed value of $0.30 per share. In addition, each outstanding warrant and option in Old Cannasat was exchanged for one replacement warrant or option in Cannasat for the applicable number of Cannasat Common Shares and exercise price.

Since the policies of the Exchange only permit "surplus securities" to equal 50% of the issued and outstanding shares of Cannasat immediately following the Amalgamation, the 12,000,000 common shares in Old Cannasat were consolidated and converted into 23,049,390 Cannasat Common Shares. The Class A common shares in Old Cannasat were converted on a three-for-one basis into 32,176,725 Cannasat Common Shares.

After completion of the Amalgamation, securityholders of Cannasat received an aggregate of 55,226,115 Cannasat Common Shares, Cannasat replacement warrants to acquire 9,405,000 Cannasat Common Shares and Cannasat replacement options to acquire 4,575,000 Cannasat Common Shares.

Cannasat also agreed to increase the exercise price for certain options and warrants to $0.30, which is the same as the transaction price for the qualifying transaction. The increased price affected options to acquire 1,755,001 Cannasat Common Shares and warrants to acquire 2,400,000 Cannasat Common Shares which were previously granted to principals of Old Cannasat. As a result of the increase in the exercise price, the Cannasat Common Shares which are acquired on the exercise of the options or warrants will not be subject to escrow.

Escrow Arrangements

The policies of the Exchange require that securities issued for less than $0.05 per share and securities held by parties related to the amalgamated company be held in escrow. As a result, 35,058,879 Cannasat Common Shares are subject to escrow and released over a period of 72 months on the basis of 5% six months after the final Exchange bulletin (issued on March 21, 2006), 5% every six months thereafter for the next 18 months and 10% every six months thereafter for the next 48 months. A further 705,000 Cannasat Common Shares are subject to escrow and will be released over a period of 36 months on the basis of 10% on the date of the final Exchange bulletin and 15% every six months thereafter.

These escrow arrangements are in addition to the escrow arrangements affecting 3,391,960 Cannasat Common Shares which replaced Lonsdale common shares previously owned by Lonsdale shareholders and are subject to escrow. These shares will be released over a period of 36 months on the basis of 10% on March 21, 2006 and 15% every six months thereafter.

Private Placement

In connection with the Amalgamation, Old Cannasat completed a private placement immediately prior to the Amalgamation. The private placement was in the amount of $1,148,703 and resulted in the issuance of 1,276,336 Class A common shares in Old Cannasat. These shares were subdivided as part of the Amalgamation into 3,829,008 Common Shares in Cannasat.

Old Cannasat retained Dominick & Dominick Securities Inc. to act as agent to assist in the completion of this private placement. The agent received a commission of 2% of the gross proceeds derived from investors introduced by Old Cannasat and 8% of the gross proceeds derived from all other investors as well as reimbursement of its expenses. In addition, the agent received a non-transferable option to purchase up to 361,086 Cannasat Common Shares at a price of $0.30 for each share. The option expires 24 months following the completion of the private placement effective March 14, 2006.

Risks and Uncertainties

Prospects for companies in the pharmaceutical drug development industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in pharmaceutical drug development companies should be regarded as highly speculative. The realization of our long-term potential will be dependent upon the successful development and commercialization of products and product candidates currently under development. We can make no assurance that these products and product candidates will be developed or receive regulatory approval. Our new products and product candidates are currently in the research and development stages, the riskiest stages for a company in the pharmaceutical drug development industry. We can make no assurance that our research and development programs will result in commercially viable products and product candidates. To achieve profitable operations, we, alone or with others, must successfully develop, introduce and market our products and product candidates.

To obtain regulatory approvals for the products and product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the products and product candidates are safe for human or animal use and that they demonstrate efficacy. Unsatisfactory results obtained from a particular study relating to a program may cause the company or its collaborators to abandon the commitments to that program.

In addition, the initial 5-year license granted by Health Canada in favour of PPS expired in December, 2005 and, as discussed above, was extended to June 30, 2006. There can be no guarantee that Health Canada will extend or renew the license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the license, the business, financial condition and results of the operation of PPS, and the investment by Cannasat in PPS, could be materially adversely affected.

For additional information with respect to certain of these and other factors, refer to our Management Information Circular dated January 18, 2006 filed on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and was approved by the Board of Directors. The Chief Executive Officer and Chief Financial Officer of Cannasat evaluated the disclosure controls and procedures as required by Multilateral Instrument 52-109 and concluded, as at December 31, 2005, that Cannasat's disclosure controls and procedures were effective in ensuring that material information regarding this MD&A and other required annual filings were made known to them on a timely basis.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The financial statements include amounts, which are based on the best estimates and judgments of management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility principally though the Audit Committee. The Audit Committee consists of independent directors not involved in the daily operations of the Company. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, McGovern, Hurley, Cunningham LLP, have examined the financial statements and have expressed a fair opinion on the statements. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls. Their report is included with the financial statements.