

CANNASAT THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR THE FIRST QUARTER ENDED MARCH 31, 2006

Management's discussion and analysis provides a review of our Company and should be read in conjunction with the unaudited financial statements for the first quarter ended March 31, 2006, and the audited financial statements of Cannasat Therapeutics Inc. (formerly Cannasat Pharmaceuticals Inc.) for the year ended December 31, 2005, as well as the related notes, which are prepared in accordance with Canadian generally accepted accounting principles. This discussion and analysis compares financial performance for the first quarter ended March 31, 2006 with the same period in 2005. This review was prepared by management with information available as at May 30, 2006. Additional information related to the Company can be found on SEDAR at www.sedar.com

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.

All amounts are presented in Canadian dollars unless otherwise indicated.

OVERVIEW

Public Transaction

During the first quarter ended March 31, 2006, Cannasat Therapeutics Inc. ("Cannasat") announced the completion of its amalgamation with Lonsdale Public Ventures ("Lonsdale"), a capital pooling company trading on the TSX Venture Exchange ("the Exchange") and their continuation as one company with the name "Cannasat Therapeutics Inc." ("the Company"). The transaction was completed on March 22, 2006, and constituted the qualifying transaction of Lonsdale pursuant to the policies of the Exchange and is the means by which Cannasat became a public issuer. As at October 31, 2005, Lonsdale's only asset was approximately \$977,000 in working capital. Cannasat also completed a private placement immediately prior to the amalgamation in the gross approximate amount of \$1,150,000.

Product Development

The Company's CAT310 and CAT210 pre-clinical research projects progressed as planned in the first quarter ended March 31, 2006. The work for these projects is being conducted by the Company researchers at its laboratory facilities in Edmonton, Alberta,

along with researchers at two leading universities, and other parties that specialize in pharmaceutical drug development. Of significance, the Company's laboratory became fully operational in January 2006.

The Company's CAT310 project is being preferentially funded. Primary research activities in the first quarter ended March 31, 2006, relate to advanced formulation, stability and regulatory planning work. During the first quarter, Cannasat initiated discussions with contract research organizations for scale up manufacturing for its planned clinical program, as well as conversations with potential Phase 1 clinical investigators and product vendors/suppliers. Cannasat also continued to search for in-licensing opportunities and develop the intellectual property rights to key technologies that will facilitate the development of future proprietary cannabinoid-based products.

During the first quarter, Cannasat's investee company, Prairie Plant Systems Inc. ("PPS"), continued to grow and deliver medical cannabis to Health Canada qualified and approved patients and researchers. The program continues to expand as more patients enroll in Health Canada's Marihuana Medical Access Regulations (MMAR). The current license by Health Canada in favour of Prairie Plant Systems extends to June 30, 2006, although the parties are in discussions regarding a further extension.

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 3 months ended March 31, 2006 these expenses aggregated \$36,000 (March 31, 2005 - \$84,500). These expenses were charged at rates that Cannasat's management believes were at fair value for the benefits or services received.

Scientific Advisory Board (SAB)

In February of 2006, Dr. Julia Levy was added to the Company's Scientific Advisory Board. Dr. Levy was a co-founder and former President and CEO of QLT Inc, and currently remains on that Board. A fellow of the Royal Society of Canada and former President of the Canadian Federation of Biological Sciences, Dr. Levy has earned numerous awards and honors including an appointment as an Officer of the Order of Canada in 2001 and the Female Entrepreneur of the Year for International Business in 1998. She was also a Professor of Microbiology at the University of British Columbia. Dr. Levy received her Ph.D. in microbiology from the University of London. She is the author of many published scientific articles and is a director of the Working Opportunity Fund and a number of public and private biotechnology companies. The addition of Dr. Levy will significantly help with the advancement of Cannasat's product development program and pipeline.

RESULTS OF OPERATIONS

Summary of Financial Information (\$)

	2006	2005	Variance
	Q1	Q1	%
Revenues	-	-	-
Interest Income	12,000	12,000	-
General and Administrative Expenditures	211,000	231,000	(8.6)
Research and Development Expenditures	168,000	68,000	147.1
Net Loss	468,000	388,000	20.7
Loss per share (basic)	0.01	0.01	-
Weighted average shares outstanding (in thousands)	54,728,240	41,191,390	-

Research and Development

Cannasat accelerated its research and development activities in the 3 months ended March 31, 2006. Research and development expenditures increased to \$168,453 from \$68,198 for the 3 months ended March 31, 2005. This increase reflects the operational and capital costs associated with the laboratory facilities in Edmonton, accelerated development activities with partner universities, and intellectual property protection activities related to product development.

General and Administrative

General and administrative expenses for the first quarter ended March 31, 2006, decreased to \$210,977 from \$230,597 for the first quarter ended March 31, 2005. The decrease in cost is attributed to reductions in office rent and administration. Costs are in line with management projections for the year.

Net Loss

During the first quarter ended March 31, 2006, Cannasat recorded a net loss of \$468,292 compared to a loss of \$387,377 for the first quarter ended March 31, 2005. The accelerated expenditure is due to the increase in research activities and was in line with Cannasat's forecasts.

Liquidity and Capital Resources

Operating Activities

After excluding non-cash items, primarily stock option compensation expense, cash outflow from operating activities was \$403,288 for the 3 months ended March 31, 2006 compared with \$190,474 for the 3 months ended March 31, 2005.

Financing Activities

During the 3 months ended March 31, 2006, Cannasat raised an additional \$1,148,703 in a private placement of 1,276,336 Class A common shares (which represents 3,829,008 common shares of Cannasat after the amalgamation of Cannasat and Lonsdale) net of issue costs of \$56,000. Cannasat received an additional \$405,367 net of issue costs of \$373,784 from its amalgamation with Lonsdale. This represents in total, net proceeds to Cannasat of \$1,498,070 from the private placement and subsequent amalgamation.

Financial Position

On March 31, 2006 Cannasat had \$1,971,735 cash and cash equivalents on hand. Shareholders' equity increased from \$2,543,724 at March 31, 2005 to \$3,674,658 at March 31, 2006.

Quarterly Financial Data (\$)

	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	-	-	-	-	-	-	-	-
Interest Income	12,000	16,000	15,000	13,000	12,000	12,000	-	-
Net Loss	468,000	476,000	681,000	359,000	388,000	255,000	426,000	66,000
Loss per share (basic)	0.01	0.03	0.03	0.02	0.01	0.01	0.03	0.01

Net loss variations, from quarter to quarter, reflect principally the research and development efforts and the company's organization structure to administer and develop its business plan.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

About Cannasat

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

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 the Company's long-term potential will be dependent upon the successful development and commercialization of products and product candidates currently under development. The Company can make no assurance that these products and product candidates will be developed or receive regulatory approval. The Company's 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. The Company 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 license granted by Health Canada in favour of PPS 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

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