

CANNASAT THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 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 third quarter ended September 30, 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 third quarter ended September 30, 2006 with the same period in 2005. This review was prepared by management with information available as at November 22, 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

Product Development

The Company's CAT 310 and CAT 210 pre-clinical research projects progressed as planned in the third quarter ended September 30, 2006. The Company's CAT 310 project is being preferentially funded.

During the third quarter, the Company continued to escalate research and development activities related to CAT 310 in preparation for clinical studies. During the quarter, the Company scheduled a Pre-CTA ("Pre-Clinical Trial Application") meeting with Health Canada officials to discuss CAT 310. This meeting was held in Ottawa, Canada, on October 4, 2006. Cannasat submitted the intended uses, product rationale, pre-clinical pharmacokinetic data, toxicology data, and the Phase 1 protocol for review by the regulators. Health Canada provided feedback on Cannasat's plans and provided Cannasat with guidance on the information required for final CTA approval in order for the company to proceed with testing in human subjects.

In October, the Company also signed a contribution agreement with the National Research Council Canada Industrial Research Assistance Program ("NRC-IRAP") which

will help fund further pre-clinical research and development of CAT 210. Pre-clinical studies for CAT 210 will be conducted at the Pain Centre at the McGill University Health Centre (MUHC). Early stage formulation work for CAT 210 will take place at the Cannasat's R&D facilities in Edmonton, Canada.

During the quarter, the Company continued to advance negotiations with several Contract Research Organizations (CRO), Active Pharmaceutical Ingredient (API) suppliers, and formulation companies for manufacturing scale up for Phase I studies. In early November, the Company signed a long-term collaborative agreement with Montreal-based IntelGenx Corp. to co-develop novel cannabinoid-based products through a combination of Cannasat's and IntelGenx's proprietary drug delivery technologies. The collaboration will focus on the development and production of new formulations of cannabinoid pharmaceutical products, starting with CAT 310. IntelGenx is a drug formulation development company focused on developing controlled release oral, sublingual, and transdermal products.

During the third quarter, Prairie Plant Systems Inc. ("PPS"), a company in which Cannasat owns a 14.94% equity interest and has a strategic partnership, received a \$2.1 million, 12-month extension to continue to grow medical marijuana for Health Canada. PPS has grown medical marijuana for Health Canada since December 2000, when they were awarded a five-year, \$5.75 million contract.

Related Party Transactions

In the third quarter ended September 30, 2006, Cannasat made payments to Hill & Gertner Capital Corporation, which is a corporation owned by the Company's Chief Executive Officer (David Hill) and a Director (Lorne Gertner), for management services. During the nine months ended September 30, 2006 these expenses aggregated \$108,000 (September 30, 2005 - \$108,000). These expenses were charged at rates that Cannasat believes were at fair value for the services provided.

New Private Placement

On August 3, 2006, Cannasat announced the closing of an amended non-brokered private placement. Cannasat issued an aggregate of 3,815,000 Units at a price of \$0.20 per Unit raising gross proceeds of \$763,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 until August 3, 2008. The common shares issued under the private placement are subject to a hold period of four months expiring on December 4, 2006. A commission of 8% was paid in connection with subscribers for Units introduced through brokers.

The proceeds from the offering will be used to fund Cannasat's ongoing research and development as well as working capital and general corporate activities.

RESULTS OF OPERATIONS

Summary of Financial Information (\$)

	2006	2005	Variance
	Q3	Q3	%
Revenues	-	-	-
Interest Income	17,791	14,986	18.7
General and Administrative Expenditures	126,043	197,595	(36.2)
Research and Development Expenditures	295,049	218,507	35.0
Net Loss	474,452	651,084	(27.12)
Loss per share (basic)	(0.01)	(0.01)	-
Weighted average shares outstanding (in thousands)	64,783,077	45,533,640	-

Research and Development

Cannasat accelerated its research and development activities in the 3 months ended September 30, 2006. Research and development expenditures increased to \$295,049 from \$218,507 for the 3 months ended September 30, 2005. The increase is mostly attributed to increased labour and vendor costs associated research and development activities for CAT 310.

General and Administrative

General and administrative expenses for the 3 months ended September 30, 2006, decreased to \$126,043 from \$197,595 for the 3 months ended September 30, 2005. The decrease is mostly attributed to the reduction in wages and salaries.

Net Loss

During the third quarter ended September 30, 2006, Cannasat recorded a net loss of \$474,452 compared to a loss of \$651,084 for the third quarter ended September 30, 2005. The decrease in net loss is mostly related to lower stock compensation expense and a tax recovery on scientific research.

Liquidity and Capital Resources

Operating Activities

After excluding non-cash items, primarily stock option compensation expense, cash outflow from operating activities was \$365,824 for the quarter ended September 30, 2006 compared with \$558,855 for the quarter ended September 30, 2005. The decrease can be attributed to one time costs in Q3 2005 associated with the going public transaction as well as payment of accrued liabilities during the quarter.

Financing Activities

During the 3 months ended September 30, 2006, Cannasat raised an additional \$763,000 through the issue of 3,815,000 shares and 1,907,500 share purchase warrants.

Financial Position

On September 30, 2006 Cannasat had \$1,641,418, cash and cash equivalents on hand. Shareholders' equity increased from \$4,954,753 at December 31, 2005 to \$7,232,448 at September 30, 2006.

Quarterly Financial Data (\$)

	2006			2005			2004	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	-	-	-	-	-	-	-	-
Interest Income	18,000	22,000	12,000	16,000	15,000	13,000	12,000	12,000
Net Loss	474,000	710,000	468,000	476,000	681,000	389,000	388,000	255,000
Loss per share (basic)	0.01	0.01	0.01	0.03	0.03	0.01	0.01	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 Therapeutics is researching the therapeutic benefits of cannabis and developing new cannabinoid pharmaceutical products. Cannasat is pursuing two complementary business strategies. The first consists of development of novel cannabinoid-based pharmaceutical products through application of drug delivery technologies to be introduced to the market through the traditional regulatory drug approval process. The second is to promote medicinal cannabis research and education with Cannasat's business partner, 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 its research and development programs will result in commercially viable products and product candidates. To achieve profitable operations, the Company, 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 licence granted by Health Canada in favour of PPS was extended to September 30, 2007. There can be no guarantee that Health Canada will extend or renew the licence 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 licence, 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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