CANNASAT THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2007

Management's discussion and analysis should be read in conjunction with the unaudited financial statements for the third quarter ended September 30, 2007, and the audited financial statements for Cannasat Therapeutics Inc. for the year ended December 31, 2006, 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, 2007 with the same period in 2006. This review was prepared by management with information available as at November 23, 2007. Additional information related to the Company can be found on SEDAR at www.sedar.com

Certain information contained in this "Management 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 expressed in Canadian (CDN) dollars unless otherwise indicated

OVERVIEW

Cannasat is a specialty pharmaceutical company with a focus on developing a portfolio of cannabinoid-based pharmaceutical products. Cannasat is currently working on three pre-clinical projects which target different patient groups and different symptoms.

CAT 310 is the Company's lead product that uses patented drug delivery technology to deliver cannabinoids systemically for rapid relief of neuropathic pain and possibly other conditions. CAT 320 is a product that targets the endocannabinoid system to treat mood disorders such as anxiety and depression. CAT 210 is a product in development that targets the local treatment of neuropathic pain with cannabinoids.

The Company also has an equity investment and a strategic alliance agreement with Saskatoon-based Prairie Plant Systems Inc. (PPS), a privately held biotechnology company.

Cannasat has a narcotic dealer's licence granted by Health Canada to conduct research with controlled substances and to allow it to import and export controlled substances for research purposes. This licence must be renewed annually.

Product Development

CAT 310

CAT 310 is a product that uses patented drug delivery technology to deliver cannabinoids systemically for rapid relief of neuropathic pain and possibly other conditions. During the 3 months ended September 30, 2007, Cannasat advanced the CAT 310 research project as planned.

On July 31, 2007, Cannasat submitted a Clinical Trial Application (CTA) to Health Canada for a Phase 1 clinical study with its lead product, CAT 310.

On August 22, 2007, Cannasat received a "No Objection Letter" from Health Canada to conduct this clinical study. This Phase 1 trial is a randomized, single dose, crossover study comparing two different formulations of the drug in normal healthy male volunteers. The primary objectives of the trial are to evaluate the safety, tolerability and pharmacokinetics of the CAT 310 prototypes.

On September 17, 2007, Cannasat announced the commencement of a Phase 1 clinical study of CAT 310.

CAT 320

CAT 320 is a product that targets the endocannabinoid system to treat mood disorders such as anxiety and depression. During the third quarter, Cannasat and IntelGenx Corp. continued formulation work as scheduled.

CAT 210

CAT 210 is a product in development that targets the local treatment of neuropathic pain with cannabinoids. During the 3 months ended September 30, 2007, there was minimal development work on the CAT 210 project, with the majority of the Company's financial and human resources focused on CAT 310 and CAT 320.

Prairie Plant Systems Investment

Cannasat has an equity investment and a strategic alliance agreement with Saskatoon-based Prairie Plant Systems Inc. (PPS), a privately held biotechnology company.

In August 2004, Cannasat made a $1.6 million investment in PPS. This investment consisted of three components: (1) a 16.96% equity investment in the amount of $1.12 million; (2) a $480,000 debenture bearing interest at 7% maturing July 31, 2007; and (3) a 12-year strategic alliance agreement which expires on October 31, 2016. At September 30, 2007, Cannasat's equity ownership was 13.43%.

On July 17, 2007, Cannasat received $480,000 from Prairie Plant Systems, representing early repayment of the debenture for the same amount. The Company also received $46,277 to satisfy all interest payments owing.

For the 3 months ended September 30, 2007, PPS continued to operate within it's budget and Cannasat recorded an equity investment loss of $31,774.

Revenue and Expenses

Revenue is currently generated from interest payments received from 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 cannabinoid research and education initiatives, as well as the development of the company's cannabinoid-based pharmaceutical product candidates.

General and administration costs consist of personnel and related costs associated with management, administrative and finance functions as well as 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".

Contractual Commitments

In August 2004, the Company entered into a strategic alliance agreement with Prairie Plant Systems Inc. as noted earlier. In order to maintain this strategic alliance agreement, commencing in the fiscal year of Prairie Plant Systems Inc. ending October 31, 2005, the Company has made an on-going commitment to spend or contribute at least $250,000 per fiscal year on cannabinoid related activities. As at September 30, 2007, the Company has already exceeded the required commitment for the current fiscal year.

The Company has entered into research and development obligations requiring total payments in the amount of $85,100 all due within the current fiscal year.

Related Party Transactions

During the third quarter, Cannasat made payments for management services to a corporation owned by the Company's Chief Executive Officer, David Hill, as well as consulting fees to a Director, Rochelle Stenzler. During the nine months ended September 30, 2007 these expenses aggregated $130,151 as compared to $108,000 for the nine months ended September 30, 2006.

RESULTS OF OPERATIONS

Summary of Financial Information ($)

	2007	2006	Variance
	Q3	Q3	%
Revenues	-	-	-
Interest Income	17,448	17,791	(1.9)
General and Administrative Expenditures	201,279	126,043	59.7
Research and Development Expenditures	365,137	295,049	23.8
Net Loss	646,172	474,452	36.2
Loss per share (basic)	(0.01)	(0.01)	-
Weighted average shares outstanding (in thousands)	70,010,516	64,783,077	8.1

General and Administrative

General and administrative expenses for the 3 months ended September 30, 2007, were $201,279 as compared with $126,043 for the 3 months ended September 30, 2006. In Q3 2006, general and administrative expenses were reduced as a result of credit from an over accrual of legal and other expenses related to the go public transaction in the previous quarter.

Research and Development

Research and development expenditures for the 3 months ended September 30, 2007, were $365,137 as compared to $295,049 for the 3 months ended September 30, 2006. The increase in research and development are mostly related to milestone payments to the Company's formulation partner, IntelGenx, and Contract Research Organization at the commencement of the Phase 1 clinical study for CAT 310.

Net Loss

During the 3 months ended September 30, 2007, Cannasat recorded a net loss of $646,172 compared to a loss of $474,452 for the 3 months ended September 30, 2006. The increase in net loss is mostly attributed to milestone payments to the Company's formulation partner, IntelGenx, and the third-party Contract Research Organization at the commencement of the Phase 1 clinical study for CAT 310.

Liquidity and Capital Resources

The primary capital needs are for funds to support the scientific research and development activities including pre-clinical and clinical trials. Since inception, cash requirements have been financed 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 and loss from equity accounted investment, cash outflow from operating activities was $363,984 for the 3 months ended September 30, 2007 compared with $365,824 for the 3 months ended September 30, 2006. Overall cash used in operations remained relatively stable and was consistent with management expectations.

Investing Activities

On July 17, 2007, Cannasat received $480,000 from Prairie Plant Systems, representing early repayment of a loan outstanding. The Company also received $46,277 to bring all past due interest payments owing current.

Financial Position

On September 30, 2007 Cannasat had $1,100,021 cash and cash equivalents on hand. Shareholders' equity decreased from $2,863,700 at December 31, 2006 to $2,075,116 at September 30, 2007.

Quarterly Financial Data ($)

	2007			2006				2005
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenues	-	-	-	-	-	-	-	-
Interest Income (rounded)	17,000	10,000	18,000	27,000	18,000	22,000	12,000	16,000
Net Loss (rounded)	646,000	605,000	444,000	667,000	474,000	710,000	468,000	476,000
Loss per share (basic)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.03

Share Capital

The Company has authorized an unlimited number of common shares with no par value.

A summary of common shares, stock options and common share purchase warrants issued is as follows:

	as at November 23, 2007			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds $
Common	70,010,516	-	-	7,541,430
Stock options	-	3,493,740	-	-
Common share purchase warrants	-	-	4,939,402	246,143
Total	70,010,516	3,493,740	4,939,402	7,805,573

A summary of common shares and number of shares issuable on exercise of stock options and warrants is as follows:

	as at November 23, 2007			
	Number of shares #	Number of shares issuable on exercise of options #	Number of shares issuable on exercise of warrants #	Total #
Common	70,010,516	-	-	70,010,516
Stock options	-	6,146,214	-	6,146,214
Common share purchase warrants	-	-	6,689,402	6,689,402
Total	70,010,516	6,146,214	6,689,402	82,846,132

Off-Balance Sheet Arrangements

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

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 April 30, 2008. 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 the Management Information Circular dated January 18, 2006 filed on the System for Electronic Document Analysis and Retrieval at www.sedar.com

CHANGES IN ACCOUNTING POLICIES

(a) Financial Instruments

Effective January 1, 2007, the company adopted the Canadian Institute of Chartered Accountants ("CICA") section 3855, "Financial Instruments – Recognition and Measurement," section 3865, "Hedges," section 1530, "Comprehensive Income". These standards have been adopted prospectively.

i) Financial Instruments

Section 3855 establishes a framework for classifying and measuring financial instruments. Under this section all financial instruments must be initially recognized at their fair value on the balance sheet. In accordance with Section 3855, the Company has classified each financial instrument into the five categories set out in the standard: Financial assets and liabilities held for trading, financial assets held to maturity, loans and receivables, financial assets available for sale and other liabilities. Measurement of each of these items is contingent upon initial classification. Unrealized gains and losses on financial instruments classified as held for trading are recognized in earnings in the period incurred. Gains and losses on assets available for sale are recognized in other comprehensive income, and are charged to earnings when the asset is derecognized. The effective interest rate method using amortized cost is applied to the remaining categories of financial instruments.

The classification of financial instruments occurred upon adoption of the standard, and is irrevocable.

ii) Derivative Instruments and Hedging

Hedge accounting ensures that all gains, losses, revenue and expenses from the derivative, and the item it hedges, are recorded in the statement of operations in the same period. The impact of the adoption of this new section on the financial statements is not material.

iii) Embedded Derivatives

An embedded derivative is a component of a financial instrument or other contract that has a feature similar to a derivative. New accounting section 3855 requires these instruments to be identified and recorded separately from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract, the terms of the embedded derivates are the same as the terms of a freestanding derivative, and the hybrid instrument is not re-measured at fair value.

iv) Comprehensive income

Comprehensive income is the change in equity of the Company from net earnings and other comprehensive income ("OCI"). OCI consists of the change in the fair value of any financial instruments classified as available for sale. Amounts recognized in OCI must eventually be reclassified to income when the related gains or losses are realized. For the period ended

September 30, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the period.

(b) Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA section 1506, "Accounting Changes." Under the revised section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to the reader. Changes in accounting policy must be applied retrospectively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect of financial statement line items.

The Company has determined that the adoptions of these new policies had no material impact on its financial statements and determined that no adjustments are required for the period ended September 30, 2007.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Disclosure Controls and Procedures

Management is responsible for the information in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended December 31, 2006, an evaluation was carried out under the supervision of, and with the participation of, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Corporation's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (the "MI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2006 to provide reasonable assurance that material information relating to the Corporation would be made known to them by others within those entities.

Internal Control over Financial Reporting

MI 52-109 also requires a reporting issuer to submit an annual certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at December 31, 2006 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of December 31, 2006.

Changes in Internal Control over Financial Reporting

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially effected, or is reasonably likely to materially affect internal control over financial reporting.

Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting for the period ended September 30, 2007.

FOR FURTHER INFORMATION:

Cannasat Therapeutics Inc.
David Hill
Chief Executive Officer
W: 416-703-2449 (Ext. 223)
www.cannasat.com
info@cannasat.com