CANNASAT THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR THE FIRST QUARTER ENDED MARCH 31, 2008

Management's discussion and analysis should be read in conjunction with the unaudited financial statements for the first quarter ended March 31, 2008, and the audited financial statements for Cannasat Therapeutics Inc. ("Cannasat" or "the Company") for the year ended December 31, 2007, 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, 2008 with the same period in 2007. This review was prepared by management with information available as at May 16, 2008. 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 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 THC (delta-9-tetrahydrocannabinol) systemically for rapid relief of nausea/vomiting, neuropathic pain and possibly other conditions. CAT 320 is a CBD (cannabidiol) derived 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.

Cannasat has a long-term collaborative agreement with Montreal-based IntelGenx Corp. to co-develop CAT 310 and CAT 320 through a combination of Cannasat's and IntelGenx's proprietary drug delivery technologies.

Cannasat and IntelGenx possess Health Canada granted narcotic dealer's licences, which allow both Companies to conduct research with controlled substances and to import and export controlled substances (i.e. THC and CBD) for research purposes. This licence must be renewed annually.

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.

Product Development

CAT 310

CAT 310 is a product that uses patented drug delivery technology to deliver THC (delta-9-tetrahydrocannabinol) systemically for rapid relief of nausea/vomiting, neuropathic pain and possibly other conditions.

During the three months ended March 31, 2008, Cannasat and IntelGenx worked to refine the CAT 310 prototype formulations as planned, and expect to enter further Phase I clinical testing in Canada with new formulations in the second half of 2008.

Cannasat also intends to file an Investigational New Drug (IND) Application with United States Food and Drug Administration (FDA) as well as a 505(b)(2) application. The 505(b)(2) application is based on the fact that the main active pharmaceutical ingredient in CAT 310 (i.e. THC, or delta-9-tetrahydrocannabinol) is also the main active ingredient in Marinol®, an approved drug in the United States. This may allow Cannasat to leverage some of the previous research that has been conducted on the THC molecule.

CAT 320

CAT 320 is a CBD (cannabidiol) derived product that targets the endocannabinoid system to treat mood disorders such as anxiety and depression.

During the three months ended March 31, 2008, Cannasat and IntelGenx continued early-stage formulation development. Cannasat also continued negotiations with several Active Pharmaceutical Ingredient (API) suppliers for manufacturing and scale of CBD material for clinical studies.

Over the next 12 months, Cannasat will seek to enter the first Phase I safety and pharmacokinetic clinical testing of CAT 320 prototype formulations.

CAT 210

CAT 210 is a product in development that targets the local treatment of neuropathic pain with cannabinoids.

During the three months ended March 31, 2008, there was no development work done on the CAT 210 project, with all of the Company’s financial and human resources focused on the CAT 310 and CAT 320 projects.

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.

As at March 31, 2008, Cannasat has a 12.06% equity investment in PPS and a 12-year strategic alliance agreement which expires on October 31, 2016. 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. The Company has expended the required $250,000 commitment for the fiscal years of Prairie Plant Systems Inc. ended October 31, 2007, 2006 and 2005. The Company also fully expects to exceed this ongoing commitment for the current fiscal year.

In December 2000, Health Canada awarded PPS a five-year $5.75 million contract to supply medical marijuana to the federal government Medical Marijuana Access Regulations (MMAR) program qualified and approved patients. Individuals who are eligible to apply to Health Canada to legally possess cannabis for medical purposes include those with terminal illnesses, HIV/AIDS, cancer, multiple sclerosis, epilepsy, spinal cord injury/disease, and severe arthritis.

The initial five-year contract between Health Canada and PPS that expired on December 31, 2005, was extended to June 30, 2006, September 30, 2006, September 30, 2007, April 30, 2008 and most recently was extended to October 31, 2008. 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 approved patients and qualified researchers, and thus using PPS product until such time.

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.

For the three months ended March 31, 2008, PPS continued to operate within its budget and Cannasat recorded an equity investment loss of $22,626.

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 pharmaceutical products. 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

Cannasat is party to certain management contracts. Minimum management contract termination commitments remaining under the agreements are approximately $190,000 and are all payable within one year.

The Company has entered into a research and development contract requiring total payments of approximately $26,131, which are due upon the completion of certain performance criteria. Management currently expects this work to be completed in Q2 2008.

Related Party Transactions

Commencing January 1, 2007, the Company contracted directly with a wholly owned corporation of the Company's Chief Executive Officer for management services performed. During the three months ended March 31, 2008, these expenses aggregated $37,500 compared to $36,000 during the three months ended March 31, 2007.

At March 31, 2008, included in accounts payable and accrued liabilities is $8,703 (December 31, 2007 - $21,797) due to officers and directors of the Company. At March 31, 2008, included in sundry receivables is $9,059 (December 31, 2007 - $9,393) due from officers of the Company. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party transactions have been recorded at the amount which is management's estimate of the fair value of such transactions.

Private Placement

On March 14, 2008, the Company, as part of a private placement, issued 3,333,333 units at $0.15 per unit for gross proceeds of $500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for $0.20 per share until the earlier of March 14, 2009 and the period ending 20 days after prior written notice from the Company that the closing price of its shares on the Toronto Stock Exchange has been at least $0.30 per share for 20 consecutive trading days.

Board of Directors

On January 14, 2008, Cannasat announced that Dr. Julia Levy was appointed to its Board of Directors. Dr. Levy is a Canadian pharmaceutical industry leader and brings years of drug discovery, development, and commercialization experience to the Cannasat Board.

Dr. Levy was a co-founder of QLT Inc. and served in several key senior positions, including Chief Scientific Officer and Vice President, as well as President and Chief Executive Officer from 1995 to February 2002. Under her leadership, QLT experienced its strongest period of growth and raised over $386 million.

Dr. Levy is a fellow of the Royal Society of Canada and former President of the Canadian Federation of Biological Sciences. She has earned numerous awards and honours 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. Dr. Levy was formerly a Professor of Microbiology at the University of British Columbia and received her Ph.D. in microbiology from the University of London. She is the author of many published scientific articles, a director of the Working Opportunity Fund (a Canada-based venture capital firm), and serves as a director with a number of public and private biotechnology companies.

Subsequent Events

On April 4, 2007 the Board of Directors approved the grant of stock options to acquire 600,000 common shares of the Company. The stock options were granted to certain employees and consultants of the Company at an exercise price of $0.20 per share for a term of 5 years. Included in the grant are options to acquire 175,000 shares to David Hill, Chief Executive Officer, 225,000 shares to Umar Syed, Chief Scientific Officer, and 50,000 to Andrew Williams, Chief Operating Officer / Chief Financial Officer of Cannasat.

RESULTS OF OPERATIONS

Summary of Financial Information ($)

	2008	2007	Variance
	Q1	Q1	%
Revenues	-	-	-
Interest Income	5,095	17,986	(71.7)
General and Administrative Expenditures	226,364	240,149	(5.7)
Research and Development Expenditures	166,321	137,182	21.2
Net Loss	442,134	443,841	0.0
Loss per share (basic)	0.01	0.01	-
Weighted average shares outstanding (in thousands)	70,633,227	66,049,232	6.9

Results of Operations

General and Administrative

General and administrative expenses for the three months ended March 31, 2008, decreased to $226,364 from $240,149 for the three months ended March 31, 2007. The decrease is mostly attributed to a decrease in professional and consulting fees.

Research and Development

Research and development expenditures for the three months ended March 31, 2008 increased to $166,321 from $137,182 for the three months ended March 31, 2007. The increase is mostly attributed to increases in consulting and vendor costs associated with research and development activities on the CAT 310 project.

Net Loss

During the three months ended March 31, 2008, Cannasat recorded a net loss of $442,134 compared to a loss of $443,841 for the three months ended March 31, 2007. The stable net loss was in line with management expectations.

Liquidity and Capital Resources

The primary capital needs are for funds to support scientific research and development activities including pre-clinical work in laboratories and clinical trials in humans. 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, cash outflow from operating activities was $394,987 for the three months ended March 31, 2008, compared with $442,611 for the year ended March 31, 2007. The decrease is mostly attributed to a reduction in sundry receivables.

Investing Activities

Cannasat raised an additional $450,965 net of issue costs of $49,035 during the three months ended March 31, 2008 through the issuance of common shares and share purchase warrants associated with a private placement that closed on March 14, 2008.

Financial Position

On March 31, 2008 Cannasat had $843,447 cash and cash equivalents on hand. Shareholders' equity increased to $1,660,596 at March 31, 2008 from $1,595,199 at December 31, 2007 as the proceeds from share and warrant issuances was higher than the net loss for the three months ended March 31, 2008.

Quarterly Financial Data ($)

	2008	2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	-	-	-	-	-	-	-	-
Interest Income	5,000	26,000	17,000	10,000	18,000	27,000	18,000	22,000
Net Loss	442,000	538,000	646,000	605,000	444,000	667,000	474,000	710,000
Loss per share (basic)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

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 May 16, 2008			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds $
Common	73,343,849	-	-	7,924,750
Stock options	-	3,843,740	-	-
Common share purchase warrants	-	-	7,911,649	331,788
Total	73,343,849	3,843,740	7,911,649	8,256,538

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

	as at May 16, 2008			
	Number of shares #	Number of shares issuable on exercise of options #	Number of shares issuable on exercise of warrants #	Total #
Common	73,343,849	-	-	73,343,849
Stock options	-	6,496,214	-	6,496,214
Common share purchase warrants	-	-	9,661,649	9,661,649
Total	73,343,849	6,496,214	9,661,649	89,501,149

Off-Balance Sheet Arrangements

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

CHANGES IN ACCOUNTING POLICIES

(a) Accounting Changes

Effective January 1, 2008, the Company adopted the following accounting standards recently issued by the CICA:

(i) Capital Disclosures

In December 2006, the CICA issued Section 1535, "Capital Disclosures", which establishes guidelines for the disclosure of information on an entity's capital and how it is managed. This enhanced disclosure enables users to evaluate the entity's objectives, policies and processes for managing capital. This new requirement is for disclosure only and does not impact the financial results of the Company.

(ii) Financial Instruments – Disclosure and Presentation

In December 2006, the CICA issued Section 3862, "Financial Instruments – Disclosure", and Section 3863, "Financial Instruments – Presentation" to replace the existing Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments. This new requirement is for disclosure only and does not impact the financial results of the Company.

(b) Recent Accounting Pronouncements

(i) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("ACSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

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 most recently extended to October 31, 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

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, 2007, 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, 2007 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, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of December 31, 2007.

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 March 31, 2008.

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