

**CANNASAT THERAPEUTICS INC.
FIRST QUARTER REPORT
MARCH 31, 2008**

Unaudited

CANNASAT THERAPEUTICS INC.
March 31, 2008

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CANNASAT THERAPEUTICS INC.
Interim Balance Sheets

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	March 31, 2008 (unaudited)	December 31, 2007 (audited)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 843,447	\$ 787,469
Sundry receivables	59,903	70,893
	<hr/> 903,350	<hr/> 858,362
EQUIPMENT (Note 4)	7,161	7,593
LONG-TERM INVESTMENT (Note 5)	865,064	887,690
DEFERRED COMPENSATION EXPENSE (Note 6(c))	88,000	112,000
OTHER INTANGIBLE ASSETS (Note 7)	200,000	200,000
	<hr/> \$ 2,063,575	<hr/> \$ 2,065,645
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 325,605	\$ 370,446
Current portion of notes payable (Note 8)	100,000	100,000
	<hr/> 425,605	<hr/> 470,446
COMMITMENTS (Notes 5, 6 and 11)		
GOING CONCERN (Note 2)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6(b))	8,256,538	7,805,573
CONTRIBUTED SURPLUS (Note 6(e))	1,034,312	1,000,372
DEFICIT	(7,652,880)	(7,210,746)
	<hr/> 1,637,970	<hr/> 1,595,199
	<hr/> \$ 2,063,575	<hr/> \$ 2,065,645

APPROVED BY THE BOARD:

(signed) "Peter Palframan", Director

(signed) "Rochelle Stenzler", Director

CANNASAT THERAPEUTICS INC.
Interim Statements of Operations and Deficit

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	Three Months Ending March 31,	
	2008	2007
	(unaudited)	(unaudited)
REVENUE		
Interest income	\$ 5,095	\$ 17,986
EXPENSES		
General and administrative	226,364	240,149
Research and development	166,321	137,182
Amortization of equipment	432	566
Stock option compensation expense	57,940	57,303
Recovery on scientific research	(26,454)	-
	424,603	435,200
LOSS BEFORE EQUITY LOSS	(419,508)	(417,214)
LOSS FROM EQUITY ACCOUNTED INVESTMENT (Note 5)	(22,626)	(26,627)
NET LOSS FOR THE PERIOD	(442,134)	(443,841)
DEFICIT, BEGINNING OF PERIOD	(7,210,746)	(4,977,970)
DEFICIT, END OF PERIOD	\$ (7,652,880)	\$ (5,421,811)
LOSS PER SHARE - basic and diluted	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	70,633,227	66,049,232

The accompanying notes are an integral part of these Financial Statements

CANNASAT THERAPEUTICS INC.
Interim Statements of Cash Flows

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	Three Months Ending March 31,	
	2008 (unaudited)	2007 (unaudited)
OPERATING		
Net loss for the period	\$ (442,134)	\$ (443,841)
Items not affecting cash		
Loss from equity accounted investment	22,626	26,627
Amortization of equipment	432	566
Stock option compensation expense	57,940	57,303
	(361,136)	(359,345)
Changes in non-cash operating working capital items		
Sundry receivables	10,990	(24,058)
Accounts payable and accrued liabilities	(44,841)	(59,208)
	(394,987)	(442,611)
FINANCING		
Exercise of stock options	-	19,500
Private placements, net of issue costs	450,965	-
	450,965	19,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	55,978	(423,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	787,469	1,210,363
CASH AND CASH EQUIVALENTS, END OF PERIOD	843,447	\$ 787,252
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 440,482	\$ 58,204
Cash equivalents	402,965	729,048
	\$ 843,447	\$ 787,252

SUPPLEMENTARY CASH FLOW INFORMATION (Note 11)

CANNASAT THERAPEUTICS INC.

Notes to the Unaudited Interim Financial Statements

1. DESCRIPTION OF BUSINESS

Cannasat Therapeutics Inc. (the “Company”) is a research and development company committed to the development of novel cannabinoid-based prescription medicines for patients with unmet medical needs. Cannasat Pharmaceuticals Inc. was incorporated under the Canada Business Corporations Act on January 16, 2004 and changed its name from Cannasat Pharmaceuticals Inc. to Cannasat Therapeutics Inc. on January 25, 2005. Cannasat Therapeutics Inc. (“Cannasat”) and Lonsdale Public Ventures Inc. (“Lonsdale”), a capital pool company, were amalgamated on March 15, 2006 under the Business Corporations Act (Canada) and continued as one company with the name “Cannasat Therapeutics Inc.”.

2. ACCOUNTING POLICIES AND GOING CONCERN

These interim financial statements are unaudited and have not been reviewed by the Company’s auditors. The management of the Company has prepared these interim financial statements in accordance with Canadian Generally Accepted Accounting Principles for the preparation of interim financial information and follow the same accounting policies and methods of application as the audited financial statements of the Company for the year ended December 31, 2007. These statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2007. The disclosure in these interim financial statements does not conform in all respects to Generally Accepted Accounting Principles in Canada for annual financial reporting.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three months ended March 31, 2008 may not be indicative of the results that may be expected for the full year ending December 31, 2008.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Company has used cash of \$5,775,776 in operating activities from inception to March 31, 2008 and has an accumulated deficit of \$7,652,880 as at March 31, 2008. The Company will be pursuing further financings. The Company's continued existence is dependent upon its ability to obtain additional financing as needed and to attain profitable operations.

If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used.

3. 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.

4. EQUIPMENT

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Computer equipment	5,746	3,817	1,929
Furniture and fixtures	7,650	2,418	5,232
Total	13,396	6,235	7,161

CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

5. LONG-TERM INVESTMENT

	March 31, <u>2008</u>	December 31, <u>2007</u>
268,585 Class A common shares representing 12.06% (December 31, 2007 – 12.06%) of the voting shares of Prairie Plant Systems Inc., recorded on an equity basis	\$ <u>865,064</u>	\$ <u>887,690</u>

In August 2004, the Company acquired 268,585 Class A common shares and 140,000 Class A common share purchase warrants of Prairie Plant Systems Inc. at a purchase price of \$1,120,001. The warrants were for additional Class A common shares and were exercisable at \$2.00 per share expiring May 14, 2006. The Company did not exercise these warrants.

On August 17, 2004, the Company entered into a strategic alliance agreement with Prairie Plant Systems Inc. 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 one or more of the following cannabis or cannabinoid related activities: product development, clinical trials, pursuit of other strategic relationships, public relations, regulatory affairs, communications, marketing, and/or other such activities as the parties may reasonably agree upon. 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 strategic alliance expires on October 31, 2016.

On August 17, 2004, the difference between the cost of the long-term investment in PPS and the underlying net book value of the assets acquired in PPS was calculated to be approximately \$952,000. Of this difference \$36,000 was related to PPS property, \$566,000 was related to current and expected contracts in favour of PPS, and \$350,000 was related to goodwill. The underlying depreciable contracts valued at \$566,000 are amortized at an annual rate of approximately \$81,000 and is included in the calculation of the loss from equity accounted investment.

CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

6. SHARE CAPITAL

a) *Authorized*

Unlimited number of common shares with no par value

b) *Issued*

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

	as at December 31, 2007			
	Number of shares #	Number of options #	Number of warrants #	Net Proceeds \$
Common	70,010,516	-	-	7,541,430
Stock options	-	3,243,740	-	-
Common share purchase warrants	-	-	4,939,402	264,143
Total	70,010,516	3,243,740	4,939,402	7,805,573

	as at March 31, 2008			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds \$
Common	73,343,849	-	-	7,924,750
Stock options	-	3,243,740	-	-
Common share purchase warrants	-	-	7,911,649	331,788
Total	73,343,849	3,243,740	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 March 31, 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	-	5,896,214	-	5,896,214
Common share purchase warrants	-	-	9,661,649	9,661,649
Total	73,343,849	5,896,214	9,661,649	88,901,712

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CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

6. SHARE CAPITAL

b) Issued (continued)

At March 31, 2008, the following common shares, and common share purchase warrants were issued for the proceeds noted.

	Number of Shares #	Proceeds \$	Share Issuance \$	Net Proceeds \$
Total Shares and Proceeds, December 31, 2007	70,010,516	8,409,582	868,152	7,541,430
March 14, 2008 (i)	3,333,333	423,725	40,405	383,320
Total Shares and Proceeds, March 31, 2008	73,343,849	8,833,307	908,557	7,924,750

	Number of Warrants #	Proceeds \$	Share Issuance \$	Net Proceeds \$
Total Share Purchase Warrants and Proceeds, December 31, 2007	4,939,402	293,985	29,842	264,143
March 14, 2008 (i)	3,333,333	76,298	8,653	67,645
Expired Warrants (ii)	(361,086)	-	-	-
Total Share Purchase Warrants and Proceeds, March 31, 2008	7,911,649	370,283	38,495	331,788

TOTAL PROCEEDS FROM SHARES AND WARRANTS, MARCH 31, 2008		9,203,590	947,052	8,256,538
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- i) On March 14, 2008, Cannasat 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 Cannasat for \$0.20 per share until the earlier of March 14, 2009 and the period ending 20 days after prior written notice from Cannasat 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. The fair value of the warrants was estimated at \$76,298.
- ii) On March 15, 2008, 361,086 warrants expired. These warrants had been issued on March 22, 2006 in lieu of compensation and their fair value of \$46,366 was recorded directly to Contributed Surplus.

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CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

6. **SHARE CAPITAL (continued)**

c) Stock options and warrants

A summary of the status of options as of March 31, 2008:

	Number of Options #	Number of shares issuable on exercise of options #	Weighted Exercise Price (/share) \$
Options outstanding at December 31, 2007	3,243,740	5,896,214	0.280
Exercised	-	-	-
Granted	-	-	-
Cancelled or expired	-	-	-
Outstanding as at March 31, 2008	3,243,740	5,896,214	0.280

The weighted average grant date fair value of the stock options issued during the period ended March 31, 2008 is NIL.

In February 2004, 2,610,000 options granted were determined to have a value of \$513,485. Of this amount, \$109,485 was expensed in 2004, \$100,000 was expensed during the year ended December 31, 2005, \$96,000 was expensed during the year ended December 31, 2006, and 96,000 was expensed during the year ended December 31, 2007 and \$24,000 was expensed in the period ended March 31, 2008. The remaining \$88,000 was deferred to future periods.

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CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

6. SHARE CAPITAL (continued)

c) Stock options and warrants (continued)

Stock options issued and outstanding as at March 31, 2008 are as follows:

Number of Options	Number of Shares issuable on exercise of options	Effective Strike Price (\$/share)	Vesting Date	Expiry Date
#	#	\$		
50,000	150,000	0.283	August 18, 2004	August 18, 2009
150,000	450,000	0.283	December 31, 2004	December 31, 2009
8,333	25,000	0.317	December 31, 2005	June 30, 2010
41,667	125,000	0.283	June 30, 2006	June 30, 2010
292,500	244,974	0.239	July 28, 2005	July 28, 2010
116,667	350,000	0.317	August 31, 2006	August 31, 2010
220,620	220,620	0.300	December 4, 2006	December 3, 2010
8,333	25,000	0.317	December 31, 2005	December 31, 2010
41,666	125,000	0.283	December 31, 2006	December 31, 2010
11,770	11,770	0.300	January 4, 2007	January 3, 2011
11,770	11,770	0.300	February 4, 2007	February 3, 2011
11,770	11,770	0.300	March 4, 2007	March 3, 2011
50,000	150,000	0.283	March 23, 2007	March 23, 2011
11,770	11,770	0.300	April 4, 2007	April 3, 2011
11,770	11,770	0.300	May 4, 2007	May 3, 2011
11,770	11,770	0.300	June 4, 2007	June 3, 2011
8,333	25,000	0.317	December 31, 2005	June 30, 2011
58,333	175,000	0.283	June 30, 2007	June 30, 2011
150,000	450,000	0.283	June 30, 2007	June 30, 2011
116,667	350,000	0.317	August 31, 2007	August 31, 2011
50,000	150,000	0.283	August 31, 2007	August 31, 2011
50,000	50,000	0.300	December 4, 2007	December 3, 2011
16,667	50,000	0.283	December 31, 2007	December 31, 2011
86,667	86,667	0.250	November 24, 2007	May 24, 2012
86,667	86,667	0.250	May 24, 2008	May 24, 2012
86,667	86,667	0.250	November 24, 2008	May 24, 2012
316,671	316,671	0.250	June 25, 2008	June 25, 2012
316,664	316,664	0.250	June 25, 2009	June 25, 2012
316,664	316,664	0.250	June 25, 2010	June 25, 2012
16,667	50,000	0.283	June 30, 2008	June 30, 2012
116,667	350,000	0.317	August 31, 2008	August 31, 2012
250,000	750,000	0.283	November 1, 2007	November 1, 2011
100,000	300,000	0.283	December 31, 2007	December 31, 2011
50,000	50,000	0.300	December 4, 2008	December 3, 2012
<u>3,243,740</u>	<u>5,896,214</u>			

The total number of common shares that are issuable pursuant to stock options that are exercisable as at March 31, 2008 is 4,322,881.

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CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

6. SHARE CAPITAL (continued)

c) Stock options and warrants (continued)

Details of the warrants outstanding as at March 31, 2008 are as follows:

	Number of warrants #	Number of shares issuable on exercise of warrants #	Weighted Exercise Price (/share) \$
Outstanding and exercisable as at December 31, 2007	4,939,402	6,689,402	0.259
Granted	3,333,333	3,333,333	0.200
Exercised		-	-
Cancelled or expired	(361,086)	(361,086)	0.300
Outstanding and exercisable as at March 31, 2008	7,911,649	9,661,649	0.237

The weighted average grant date fair value of the warrants issued during the period ended March 31, 2008 is \$0.02. Fair value of the warrants granted during the period ended March 31, 2008 has been estimated on the date of issue using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0%, expected volatility 108%, risk-free interest rate 2.63%, and expected life of one year.

Warrants outstanding and exercisable as at March 31, 2008 are as follows:

Number of Warrants #	Number of shares issuable on exercise of warrants #	Effective Strike Price (/share) \$	Fair value \$	Expiry Date
1,907,500	1,907,500	0.300	103,950	August 3, 2008
1,895,112	1,895,112	0.300	160,193	October 24, 2008
275,704	275,704	0.220	30,904	October 24, 2008*
3,333,333	3,333,333	0.200	232,562	March 14, 2009
500,000	2,250,000	0.222	120,000	March 16, 2009*
7,911,649	9,661,649		647,609	

* These warrants were issued as compensation for services performed and their fair value is recorded in contributed surplus. The remaining warrants were issued pursuant to private placements and their fair value is recorded as part of share capital.

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CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

6. SHARE CAPITAL (continued)

d) Escrowed shares

On March 15, 2006, Cannasat amalgamated with Lonsdale Public Ventures (“Lonsdale”), a capital pool company. For details of the amalgamation see Note 6(d) in the audited financial statements of the Company for the year ended December 31, 2007.

Immediately following the amalgamation, 38,705,837 common shares of the Company were subject to escrow. 34,608,879 of these escrowed shares are to be released over a period of 72 months on the basis of 5% to be released six months after the final Exchange bulletin (March 23, 2006), 5% to be released every six months thereafter for the next 18 months and 10% to be released every six months thereafter for the next 48 months. The remaining 4,096,958 escrowed shares are to be released over a period of 36 months on the basis of 10% to be released on the date of the final Exchange bulletin and 15% to be released every six months thereafter.

At March 31, 2008, 27,687,104 of the 72-month release shares and 1,229,090 of the 36-month release shares are still subject to escrow.

e) Contributed Surplus

Contributed surplus represents the fair value of unexercised and expired broker compensation warrants as well as the fair value of stock option compensation earned by directors, officers, employees and certain consultants of the Company as follows:

Balance, December 31, 2007	\$ 1,000,372
Compensation – stock option expense during the period – employee	33,940
Compensation – stock option expense during the period – non-employee	-
<hr/> Balance, March 31, 2008	<hr/> \$ 1,034,312

Notes to the Unaudited Interim Financial Statements

7. OTHER INTANGIBLE ASSETS

On June 10, 2005, the Company entered into a license agreement with a research and development company. The License fee of \$200,000 was satisfied by the execution and delivery of two promissory notes on June 30, 2005 (see Note 8) in the aggregate principal amount of \$100,000 and the issuance of 117,648 Class A common shares at an aggregate subscription price of \$100,000. In addition to the acquisition costs, the Company has agreed to pay a combination of milestone-based payments and royalties. The license is for patents that have been issued in certain jurisdictions and are currently pending in others.

8. NOTES PAYABLE

Promissory notes in the aggregate principal amount of \$100,000 were issued by the Company on June 30, 2005 in connection with the acquisition of the agreement for the worldwide license to make, use or sell certain licensed products (see Note 7). The notes bear interest at 8% per annum, calculated monthly and payable in quarterly installments effective January 1, 2006. The first note in the principal amount of \$50,000 was due on demand no earlier than December 30, 2005 and may be converted in whole or in part into common shares no later than June 30, 2009 at \$0.2833 per share at the option of the holder. The second promissory note also with a principal amount of \$50,000 is due on demand no earlier than the date of issuance of filed patents in specific jurisdictions. In the event that the filed patents are not issued, 88,236 Class A common shares at \$0.2833 per share may be issued at the option of the issuer as full and final settlement of the note. The second promissory note may also be converted in whole or in part into common shares no later than June 30, 2009 at \$0.2833 per share at the option of the holder.

9. RELATED PARTY TRANSACTIONS

Related party transactions have been recorded at the exchange amount that is management's estimate of the fair value of such transactions as follows:

	Three Months Ending, March 31	
	2008	2007
Management fees	\$ 37,500	\$ 36,000
Director fees	\$ 5,350	-
	<u>\$42,850</u>	<u>\$36,000</u>

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.

On April 4, 2008, stock options were granted to certain employees and consultants. (See Note 12)

CANNASAT THERAPEUTICS INC.
Notes to the Unaudited Interim Financial Statements

10. COMMITMENTS

The Company is party to certain management contracts for its executive officers. 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.

11. SUPPLEMENTARY CASH FLOW INFORMATION

	Three Months Ending March 31,	
	2008	2007
Income taxes paid	\$ -	\$ -
Interest paid	-	3,254
The following significant transactions did not generate or use cash:		
Common shares	-	(35,000)
Common shares to be issued	-	35,000
Contributed surplus	33,940	33,303
Compensation expense	(57,940)	(57,303)

12. SUBSEQUENT EVENTS

On April 4, 2008, stock options were issued to certain employees and consultants of Cannasat to acquire 600,000 common shares. The stock options have an exercise price of \$0.20 per share for a term of 5 years.