CANNASAT THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

This management discussion and analysis should be read in conjunction with the unaudited financial statements for the third quarter ended September 30, 2009, and the audited financial statements for Cannasat Therapeutics Inc. ("Cannasat" or the "Corporation") for the year ended December 31, 2008, 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, 2009 with the same period in 2008. This review was prepared by management with information available as at November 27, 2009. Additional information related to the Corporation can be found on SEDAR at www.sedar.com. Economic and industry factors are substantially unchanged from the most recently completed financial year end.

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 clinical stage pharmaceutical company focused on developing products to treat neurological disorders. Cannasat's strategy is to grow its portfolio of drug candidates through in-licensing and acquisitions. This approach is intended to facilitate the raising of additional rounds of capital that will fund projects to Phase 2 proof-of-concept clinical studies and that could lead to out-licensing agreements with Pharma marketing partners.

Cannasat's lead drug candidate, Relivar, is a product that uses patented drug delivery technology to deliver THC (delta-9-tetrahydrocannabinol) systemically for relief of neuropathic pain in patients with Multiple Sclerosis and those with advanced cancer pain, and possibly other conditions.

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

Cannasat and IntelGenx have been granted narcotic dealer's licenses from Health Canada, which allows both companies to conduct research with controlled substances and to import and export controlled substances (such as THC) for research purposes. This license must be renewed annually.

Revenue and Expenses

Revenue is currently generated from interest received from short term deposits. Cannasat expects longer-term revenues and profits to be generated from the commercialization of 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 vendor, personnel and related costs associated with the formulation development and clinical testing of the Corporation's pharmaceutical product candidates.

General and administration costs consist of personnel and related costs associated with management, administration and finance functions, as well as professional fees, office rent, insurance and other corporate expenses.

For a further discussion of Cannasat's revenues, research and other expenses, reference should be made to the section below entitled "Results of Operations".

Short Form Prospectus Offering

On March 30, 2009, the Corporation signed an engagement letter with Sandfire Securities Inc. (the "Agent") to act as lead agent in a short form prospectus offering (the "Offering") of units by the Corporation in an amount of up to $2,500,000. Each unit consisted of one common share and one common share purchase warrant priced at $0.10 per unit. The Corporation agreed to pay to the Agent a cash commission of 8% of the gross proceeds of the Offering. The Corporation also agreed to pay the Agent a corporate finance fee of $25,000, a work fee in the amount of $10,000 per month until the completion of the Offering, a success fee of $25,000 upon closing of the Offering and to reimburse the Agent for certain expenses incurred in connection with the Offering. The work fee was credited against the cash commission upon completion of the Offering.

On August 6, 2009, the Corporation, as part of the Offering, sold an aggregate of 7,509,500 units at a price of $0.10 per unit for gross proceeds of $750,950. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of $0.15 per share until August 6, 2011. In connection with the sale of the units, the Corporation issued 750,950 common share purchase warrants to the Agents on August 6, 2009. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.10 per share until August 6, 2011.

On August 31, 2009, the Corporation, as part of the Offering, sold an aggregate of 1,789,000 units at a price of $0.10 per unit for gross proceeds of $178,900. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of $0.15 per share until August 31, 2011. In connection with the sale of the units, the Corporation issued 178,900 common share purchase warrants to the Agents on August 31, 2009. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.10 per share until August 31, 2011.

Related Party Transactions

Commencing January 1, 2007, the Corporation contracted directly with a wholly owned corporation of the Corporation's Chief Executive Officer for management services performed. During the nine months ended September 30, 2009, these payments aggregated $97,833 compared to $122,500 during the nine months ended September 30, 2008.

At September 30, 2009, included in accounts payable and accrued liabilities is $55,877 (December 31, 2008 - $1,513) due to the Chief Executive Officer, Chief Scientific Officer, and Chief Operating Officer and Chief Financial Officer of the Corporation. Also included in accounts payable and accrued liabilities at September 30, 2009, is $20,400 (December 31, 2008 - $NIL) due to directors of the Corporation. At September 30, 2009, included in sundry receivables is $1,092 (December 31, 2008 - $2,265) due from officers of the Corporation. These amounts are unsecured, non-interest bearing with no fixed terms of repayment. 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.

Commitments and Contingencies

The Corporation is party to certain management contracts for its executive officers. Minimum management contract termination commitments remaining under the agreements are approximately $285,000 and are all payable within one year.

The Corporation has entered into a lease for its office premises in Toronto. Minimum rental commitments approximate $10,000 all due within three months.

The Corporation has two contractual disputes totalling $64,500. Included in accounts payable and accrued liabilities is $10,000 related to these disputes. Management believes that the claims are without merit and plans to vigorously defend the Corporation.

The Corporation has entered into a research and development contract requiring total payments of approximately $10,000, which are due upon the completion of certain performance criteria.

Stock Option Issuances and Expiry

On August 18, 2009, stock options to acquire 150,000 common shares of the Corporation, previously granted to a Director and Consultant, expired unexercised.

On August 31, 2009, the Corporation announced that it had granted stock options to acquire an aggregate of 1,550,000 common shares of the Corporation to officers, directors and an employee of the Corporation at an exercise price of $0.10 per share for a term of 5 years. Specifically, the following stock options were granted: 200,000 to David Hill, Vice Chairman and former Chief Executive Officer; 300,000 to Nathan Bryson, Chief Scientific Officer; 100,000 to Andrew Williams, Chief Operating Officer and Chief Financial Officer; 100,000 to Sara Lee Irwin, Director of Investor Relations; 250,000 to Rochelle Stenzler, Director and Consultant; and 100,000 each of the directors Julia Levy, Peter Palframan, David Pattenden, Alan Ryley, Alan Torrie and Donald Ziraldo.

Subsequent Event

On November 16, 2009, Cannasat announced that Anthony Giovinazzo had been appointed to succeed David Hill as Chief Executive Officer, and joins the Corporation as President and Chief Executive Officer. Mr. Giovinazzo is an executive with 31 years of international business experience, of which the last 16 years were in drug development for treatment of central nervous system diseases. Effective November 16, 2009, the Corporation granted Mr. Giovinazzo stock options to acquire 500,000 shares in the capital of the Corporation. The stock options have an exercise price equal to $0.10 per share and an expiry date of 5 years from the date of grant.

RESULTS OF OPERATIONS

Summary of Financial Information

	2009	2008	Variance
	Q3	Q3	%
Revenues ($)	-	-	-
Interest Income ($)	5,027	4,897	2.7
General and Administrative Expenditures ($)	290,737	262,377	10.8
Research and Development Expenditures ($)	49,211	218,708	(77.5)
Net Loss ($)	336,154	556,919	(39.6)
Loss per share (basic) ($)	0.01	0.01	0.0
Weighted average shares outstanding (in thousands)	83,586,594	74,643,849	12.0

	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues ($)	-	-	-	-	-	-	-	-
Interest Income ($)	5,000	9,000	4,000	4,000	5,000	3,000	5,000	26,000
Net Loss ($)	336,000	410,000	568,000	620,000	557,000	373,000	442,000	538,000
Loss per share (basic) ($)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

Results of Operations

General and Administrative

For the three and nine months ended September 30, 2009, general and administrative expenses were $290,737 and $819,971 compared to $262,377 and $824,861 for the three and nine months ended September 30, 2008. The increase in expenditures for the three month period compared to 2008 can be mostly attributed to an increase in consulting fees that were previously expensed to Research and Development.

Research and Development

For the three and nine months ended September 30, 2009, research and development expenditures were $49,211 and $522,790 compared to $218,708 and $609,377 for the three and nine months ended September 30, 2008. The significant decrease in expenditures for the three month period compared to 2008 is as a result of Management putting all research and development activities on hold while the Corporation seeks to raise additional capital. Management continues to actively seek additional capital from private and institutional investors.

Net Loss

Cannasat recorded a net loss of $336,154 for the three months ended September 30, 2009, compared to a net loss of $556,919 for the three months ended September 30, 2008. The decrease in net loss for the current three month period is primarily the result of the slowdown in research and development spending and a recovery on scientific research, which reduced the net loss for the comparative period in 2008.

For the nine months ended September 30, 2009, Cannasat reported a net loss of $1,313,948, compared to a net loss of $1,372,009 for the nine months ended September 30, 2008. The decrease in net loss for the nine month period is primarily the result of the decrease in research and development spending, a recovery on scientific research, and a decrease in stock option expenses in 2009, which was offset by a $254,936 gain on the sale of an equity accounted investment in 2008.

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 above.

Operating Activities

For the three and nine months ended September 30, 2009, operating activities used cash of $281,624 and $907,118 compared to $397,173 and $1,300,788 used in operations for the three and nine months ended September 30, 2008. Cash used in operating activities reflects the net loss of $336,154 and $1,313,948 for the three and nine months ended September 30, 2009, adjusted for non-cash items including amortization of equipment, stock option compensation and changes in non-cash working capital. The decrease in cash outflow in the third quarter of 2009 is primarily due to a decrease in sundry receivables from Q2 2009, as a result of receipt of $120,948 related to Scientific Research and Experimental Development tax credits for work completed in a previous year.

Investing Activities

For the three and nine months ended September 30, 2009, investing activities used cash of $2,705 and $9,524 compared to cash used of $1,669 in the three months ended September 30, 2008 and cash provided from investing activities of $1,118,331 for the nine months ended September 30, 2008. Included in cash provided from investing activities for the nine-months ended September 30, 2008, was $1,120,000 received from the sale of equity of Prairie Plant Systems in the second quarter of 2008.

Financing Activities

For the three and nine months ended September 30, 2009, financing activities were $808,239 and $922,594 compared to $202,005 and $652,970 for the three and nine months ended September 30, 2008. Included in the cash flow from financing in the period are deferred financing costs of $25,000 and $226,040 that were recorded on the balance sheet in Q1 2009 and Q2 2009 respectively.

At September 30, 2009 Cannasat had cash and cash equivalents of $811,080 compared to $805,128 of cash and cash equivalents at December 31, 2008. Shareholders' equity and liabilities decreased to $1,054,546 at September 30, 2009 from $1,081,964 at December 31, 2008.

Share Capital

The Corporation 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 27, 2009			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds $
Common	87,812,349	-	-	8,775,843
Stock options	-	6,433,750	-	-
Common share purchase warrants	-	-	13,338,350	294,444
Total	87,812,349	6,433,750	13,338,350	9,070,287

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

	as at November 27, 2009			
	Number of shares #	Number of shares issuable on exercise of options #	Number of shares issuable on exercise of warrants #	Total #
Common	87,812,349	-	-	87,812,349
Stock options	-	8,675,829	-	8,675,829
Common share purchase warrants	-	-	13,338,350	13,338,350
Total	87,812,349	8,675,829	13,338,350	109,826,528

Off-Balance Sheet Arrangements

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

CHANGES IN ACCOUNTING POLICIES

(a) Accounting Changes

Effective January 1, 2009, the Corporation adopted the following accounting standard recently issued by the CICA:

(i) Goodwill and Intangible Assets

On February 1, 2008, the CICA issued section 3064, "Goodwill and Intangible Assets". This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The changes are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this new Section had no impact on the Corporation's presentation of its financial statements at September 30, 2009.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial statements for periods ending on or after January 20, 2009. The adoption of this abstract had no impact on the Corporation's presentation of its financial position or results of operations at September 30, 2009.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended December 31, 2010.

The Corporation intends on converting to IFRS by 2011. Due to the relatively small size of the Corporation, a plan has not yet been developed, however the planning process will be started by the end of 2009. Management believes this will provide ample time to be prepared for convergence by 2011.

RISKS AND UNCERTAINTIES

An investment in the Corporation involves significant risks and must be considered speculative due to the nature of the Corporation's business. Prospective purchasers of shares in the capital of the Corporation should carefully consider the following risk factors:

Availability of Additional Financing: The Corporation incurred a net loss of $336,154 for the three months ended September 30, 2009 and expects to incur losses from continuing operations for the near future. As at September 30, 2009, the Corporation had cash and cash equivalents of $811,080. The Corporation does not expect these funds will be sufficient to fund current product development and operating costs beyond the next six to twelve months. The Corporation is currently seeking to raise additional capital through the issuance of shares and warrants. The ability of the Corporation to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation, particularly given the current challenging economic environment. If adequate funds are not available, or are not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

To date, the Corporation has financed its business primarily through equity issuances tied to the achievement of key milestones. The Corporation has a strong track record of raising capital and since August 2004 has been successful in raising over $8 million from the completion of nine private placement financings. The most recent financings were completed in August 2009 and in February 2009, at a time when the stock market was at or near the bottom of its recent downturn. Since going public in March 2006, the Corporation has been successful in achieving several significant milestones in advancing its business, including the completion of pre clinical activities and two proof-of-concept Phase I clinical trials for its lead product, Relivar, in December 2007 and April 2009. In April 2009, the Corporation announced positive proof-of-concept Phase I results for Relivar, which is expected to assist with current capital raising efforts.

Product Development: The Corporation carries on business in the pharmaceutical drug development industry. The development of pharmaceutical products is a process that requires large investments and can take years to complete. This multi-year process involves a substantial degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Many unforeseen efficacy and toxicity issues may arise throughout the process. While the Corporation will attempt to develop safe and effective drug products, it is nonetheless an early stage corporation with products which are still undergoing development. Animal tests provide preliminary safety and efficacy data but can never duplicate the behaviour of the product in continuous use in humans. As such, many efficacy and toxicity issues that arise in humans will not be known until after the human clinical testing begins. Negative effects seen in these trials may require the Corporation to make significant new investments in technology or withdraw from the specific drug development project altogether.

Regulatory Approval Process: A variety of laws and regulations govern the development, marketing and use of drugs. The Corporation's products will require governmental approvals, none of which has yet been obtained. Pre-clinical activities and clinical trials of new drugs are subject to the rigorous testing and approval processes of Health Canada and other regulatory agencies. The approval of new drugs is expensive and can be a multi-year process in which success is predicated on demonstrating that the candidate drug is safe and effective. The Corporation cannot offer any guarantees that all or any of its products will meet all regulatory requirements within a reasonable period of time, if at all. Data obtained from pre-clinical or clinical testing is susceptible to varying interpretations which can delay, limit, or prevent, regulatory approval. The pharmaceutical products being developed by the Corporation involve molecules which are controlled substances and may delay the approval process. Any failure or delay in obtaining regulatory approvals could adversely affect the market for any products the Corporation develops and therefore its business, results of operations, financial condition and cash flows.

Patent Applications: The Corporation's success will depend, in part, on its ability to obtain patents, protect trade secrets and operate without infringing upon the exclusive rights of third parties. Although the Corporation intends to file patent applications in Canada and possibly other jurisdictions, there is no guarantee that it will obtain such patents or that it will develop patentable products. Moreover, there is no proof that any patent that is granted to the Corporation will make the product more competitive, that its patent protection will not be contested by third parties or that the patents of others will not be detrimental to the Corporation's commercial activities. It cannot be assured that other companies will not independently develop products similar to the Corporation's products, that they will not imitate any of its products or that, if the Corporation obtains its patents, its competitors will not manufacture products designed to circumvent the exclusive patent rights granted to it.

Potential Infringement on Third Party Patents: If a competitor were to assert that the Corporation’s products infringe on their patent or other intellectual property rights, substantial litigation costs could be incurred and the Corporation may be required to pay substantial damages. Third-party infringement claims, regardless of their outcome, would not only consume significant financial resources, but would also divert management's time and attention. Such claims could also cause customers or potential customers to purchase competitors' products or defer or limit their purchase or use of the affected products until resolution of the claim. If any of the Corporation’s products are found to violate third-party intellectual property rights, it may have to re-engineer one or more of its products, or may have to obtain licenses from third parties to continue offering its products without substantial re-engineering. The Corporation’s efforts to re-engineer or obtain licenses could require significant expenditures and may not be successful.

Dependence on Third Parties: Due to the complexity of the process of developing therapeutics, the Corporation's business will depend on arrangements with pharmaceutical companies, corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, technology rights, manufacturing, marketing and commercialization of its products. The Corporation's license agreements could obligate it to diligently bring potential products to market, make milestone payments and royalties that, in some instances, could be substantial, and incur the costs of filing and prosecuting patent applications. There can be no assurance that the Corporation will be able to establish or maintain collaborations that are important to its business on favorable terms, or at all. A number of risks arise from the Corporation's dependence on collaborative agreements with third parties. Product development and commercialization efforts could be adversely affected if any collaborative partner terminates or suspends its agreement with the Corporation, causes delays, fails to on a timely basis develop or manufacture in adequate quantities a substance needed in order to conduct clinical trials, fails to adequately perform clinical trials, decides not to develop, manufacture or commercialize a product to which it has rights, or otherwise fails to meet its contractual obligations. The Corporation's collaborative partners could pursue other technologies or develop alternative products that could compete with the products the Corporation is developing. Any disruption with any partner, licensee or licensor could adversely affect the Corporation's product development efforts and therefore its business, results of operations, financial condition and cash flows.

Dependency on Management and Key Consultants and Employees: The Corporation's operations are dependent on the abilities, experience and efforts of its management, consultants, advisors and other key employees. Should any of these persons be unable or unwilling to continue in their employment or arrangement with the Corporation, this could have a material adverse effect on the Corporation's business, financial condition and results of its operations. The Corporation does not have key man insurance on the lives of these personnel. In addition, substantial competition exists for qualified technicians and personnel in the pharmaceutical drug development industry, and the Corporation may be unable to attract or retain highly qualified personnel in the future to meet its needs. It is possible that additional incentives may be required and that some initiatives may be jeopardized if skill shortages occur. Any failure to attract qualified personnel may materially adversely affect the business, financial condition or results of operations of the Corporation.

Competition: Competition within the pharmaceutical drug development industry is intense and is expected to increase in the future. The Corporation's competitors have long operating histories and greater financial, technical and marketing resources than the Corporation. The introduction of new drugs similar to those being developed by the Corporation by such competitors could materially and adversely affect the Corporation's business, results of operations and financial condition. There can be no assurance that the Corporation will be able to respond effectively, or in a timely manner, to the various competitive factors affecting its industry.

For additional information with respect to certain of these and other factors, refer to the Annual Information Form dated May 15, 2009 and the 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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