CANNASAT THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2009

This management discussion and analysis is as of March 3, 2010. The following discussion and analysis should be read in conjunction with the audited financial statements and notes thereto for the years ended December 31, 2009 and 2008, which have been prepared in accordance with Canadian generally accepted accounting principles.

Some of the statements contained in this Management's Discussion and Analysis of Financial Condition and Operating Results constitute forward-looking statements. These statements relate to future events or to Cannasat's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause Cannasat's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Additional information relating to the Corporation, including our Annual Information Form and other statutory reports, are available on SEDAR at www.sedar.com.

All amounts are expressed in Canadian (CDN) dollars unless otherwise indicated.

Overview

Cannasat is a specialty clinical development pharmaceutical company targeting diseases of the brain. Cannasat has a proprietary formulation technology for cannabinoid drug candidates, which may be used to treat neuropathic pain associated with multiple sclerosis and cancer, as well as for nausea/vomiting and appetite stimulation. Cannasat's strategy is to grow its portfolio of drug candidates through in-licensing and acquisitions, and to advance projects to Phase 2 proof-of-concept clinical studies. Once the drug candidates are sufficiently derisked, Cannasat intends to out-license the programs to the appropriate Pharma marketing partners for a combination of upfront, milestone, and royalty payments.

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.

On February 4, 2010, subsequent to the year end, Cannasat announced that it has entered into a Letter of Intent ("LOI") with Adagio Pharmaceuticals Ltd. granting Cannasat the option to execute a proposed exclusive, worldwide agreement to license all intellectual property relating

to APL-130277, a reformulation of an approved Parkinson's Disease drug. Research and development work on the APL-130277 project and others will be dependent on raising additional capital.

Senior Management Changes

On May 15, 2009, the Corporation announced that Dr. Nathan Bryson, PhD, was named Chief Scientific Officer. Dr. Bryson has worked as a consultant and advisor to Cannasat since November 2007. He has contributed significantly to the drug formulation work for both the Relivar and Modulyn drug candidates, the development and execution of intellectual property strategy, and towards the development of clinical and regulatory plans. Dr. Bryson draws from more than 18 years of experience in pharmaceutical development, having held scientific and executive management level positions at Flamel Technologies, Bionisis and Matregen Corp. Dr. Bryson has a strong knowledge of early-stage drug product development and formulation and has (co)authored more than 20 patents. He holds a BSc in Chemistry from Auburn University and a PhD in Radiopharmaceutical Chemistry from the Massachusetts Institute of Technology (MIT).

On November 16, 2009, the Corporation announced that Anthony Giovinazzo was appointed to succeed David Hill as Chief Executive Officer, and joins the Company as President and Chief Executive Officer. Mr. Hill continues with the company as Vice Chairman. Mr. Giovinazzo has a total of 31 years of international business experience, of which the last 16 years have been in the CNS field. His experience ranges from the investment side as the former President of the Neuroscience Partners Fund, a limited partnership investing in CNS companies primarily in the US and Canada, and subsequently, as the CEO of several companies. Mr. Giovinazzo has extensive experience in licensing drug candidates both in-bound and out-bound, as well as mergers and acquisitions, the management of clinical development, and building small execution focused teams. Mr. Giovinazzo holds the Chartered Directors designation, which is granted jointly by the Conference Board of Canada and the DeGroote School of Business at McMaster University. He has also completed the Leadership and Strategy in Pharmaceuticals and Biotech program at the Harvard Business School.

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".

Private Placement

On February 27, 2009, the Corporation, as part of a private placement, issued 3,870,000 units at a price of $0.10 per unit for gross proceeds of $387,000. Each unit consists of one common share and one half of a 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 February 26, 2011. Certain officers and directors of the Corporation purchased units as part of this private placement including: David Hill (Former CEO, Vice Chairman): 250,000; Julia Levy (Director): 100,000; Peter Palframan (Former Director): 70,000; Alan Ryley (Director): 50,000; Umar Syed (Former CSO) (100,000); and Andrew Williams (COO/CFO): 100,000.

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.

Stock Option Issuances

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 to each of the Directors Julia Levy, Peter Palframan, David Pattenden, Alan Ryley, Alan Torrie and Donald Ziraldo.

On November 16, 2009, the Corporation announced that it had granted stock options to acquire 500,000 common shares of the Corporation to the new President and Chief Executive Officer, Anthony Giovinazzo. 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.

Expiry of Stock Options

On March 31, 2009, 199,765 shares issuable on exercise of options with exercise prices of $0.239, $0.300 and $0.317 per share expired unexercised.

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 December 31, 2009, stock options to acquire 450,000 common shares of the Corporation, previously granted to an employee, an Officer and a former Officer, expired unexercised.

Expiry of Warrants

On March 14, 2009, 3,333,333 warrants exercisable at $0.20 per share expired unexercised. These warrants had been issued on March 14, 2008, as part of a private placement consisting of one common share and one common share purchase warrant at a subscription price of $0.15 per unit.

On March 16, 2009, 500,000 warrants exercisable at $0.21 per share expired unexercised. These warrants had been granted on September 27, 2004 in lieu of compensation and their estimated grant date fair value was recorded directly to contributed surplus on that date.

Share-for-Debt Transaction

On December 18, 2009, the Company, as part of a private placement, issued 1,852,870 shares for payment of salaries, fees and debt outstanding totaling $185,287.

Related Party Transactions

On February 27, 2009, certain officers and directors of the Company purchased 770,000 units as part of the private placement for gross proceeds of $77,000.

Commencing November 15, 2009, the Corporation contracted directly with a wholly owned corporation of the Corporation's President and Chief Executive Officer for management services performed. During the year these payments aggregated $22,000. The Corporation also contracted directly with a wholly owned corporation of the Corporation's former Chief Executive Officer for management services performed. During the year these payments aggregated $173,250 (2008 - $174,000).

On December 18, 2009, 522,000 common shares were issued to officers and directors of the Corporation in settlement of $52,200 of wages and fees owing for services.

At December 31, 2009, included in accounts payable and accrued liabilities is $98,560 (2008 - $1,513) due to officers and directors of the Corporation. At December 31, 2009, included in sundry receivables is $nil (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 $126,600 and are all payable within one year. In addition, the Corporation is party to certain management contracts which require that additional payments of approximately $108,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

The Corporation is subject to additional termination and stock option commitments, contingent upon the Corporation raising a cumulative of $5 million. Once raised, the Corporation will have additional management contract termination commitments of $285,400 and will be required to issue 3,733,163 stock options priced at the then fair market value, but not less than $0.10 per share.

On November 15, 2009, the former CEO resigned and is due $216,500 over a twelve month

period, contingent upon the Corporation raising a minimum of $2 million and at the discretion of the Board. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

The Corporation has entered into a lease for its office premises in Toronto. Minimum rental commitments approximate $101,000 including $78,000 due within one year and 23,000 due the year following.

The Corporation has one contractual dispute for claims against them totalling $104,400. Included in accounts payable and accrued liabilities is $80,000 related to this dispute. Management believes this dispute will be settled before June 30, 2010.

The Corporation has entered into consulting agreements requiring total payments of approximately $26,000 all due within one year.

Subsequent Events

On January 11, 2010, Ron Hosking replaced Peter Palframan on the Board of Directors. As a result, 200,000 unvested stock options previously granted to Peter Palframan were forfeited immediately. Ron Hosking is a Chartered Accountant and currently the CFO at PlantForm Corporation. Ron was previously Vice President Finance & CFO of PreMD Inc., a public company in the life sciences sector that traded on both the TSX and AMEX. Ron has been in the biotech and medical device industries for over 25 years, with both private and public companies. His broad experience includes investor relations, equity and debt financings and licensing of technologies. He has also been actively involved in senior roles in trade and professional associations throughout his career.

On February 4, 2010, Cannasat announced that it has entered into a Letter of Intent ("LOI") with Adagio Pharmaceuticals Ltd. granting Cannasat the option to execute a proposed exclusive, worldwide agreement to license all intellectual property relating to APL-130277, a reformulation of an approved Parkinson's drug. The two parties are negotiating an exclusive worldwide license that would result in Cannasat assuming product development and commercialization rights to APL-130277 from Adagio in return for development milestones and royalties to Adagio, including common shares of Cannasat. The license agreement includes an exclusive option period for the first 12 months which allows Cannasat to conduct further due diligence and proof-of-concept studies for APL-130277 prior to executing the full license. All aspects of the option and license agreements are subject to Board approval.

On February 8, 2010, 1,175,000 warrants exercisable at $0.22 per share expired unexercised.

On March 2, 2010, the Corporation and IntelGenx Corporation ("IntelGenx) signed a Letter-of-Intent to engage in a project to further develop tablets containing delta-9 tetrahydrocannabinol ("THC") for sublingual or buccal delivery of THC. Once the formulations have been completed, one or more partners will be retained for clinical development and commercialization of the products. Upon successfully entering into a sub-licensing agreement

with a marketing and/or commercialization partner, the parties agree to share royalties received from the sale of the products. In consideration of the rights and licenses to be granted by the Corporation to IntelGenx under the License Agreement, IntelGenx agrees to forgive $230,688 in indebtedness owed by the Corporation to IntelGenx."

On March 3, 2010 the Corporation granted stock options to acquire 425,000 common shares. The stock options were granted to an employee, an officer and a director of the Corporation at an exercise price of $0.10 per share for a term of 5 years from date of grant. Included in the grant are options to acquire 150,000 shares to Sara Lee Irwin, Director, Investor Relations, 150,000 shares to Andrew Williams, Chief Operating Officer and Chief Financial Officer of the Corporation, and 125,000 shares to Ron Hosking, Director.

FINANCIAL REVIEW:
COMPARISON FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

Summary of Financial Information

	2009	2008	2007
Revenues ($)	-	-	-
Interest Income ($)	13,000	17,000	71,000
General and Administrative Expenditures ($)	1,139,000	1,115,000	955,000
Research and Development Expenditures ($)	616,000	890,000	1,023,000
Net Loss ($)	1,751,000	2,003,000	2,233,000
Loss per share (basic and diluted) ($)	0.02	0.03	0.03
Weighted average shares outstanding	81,566,918	73,199,610	68,784,541

	2009				2008			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues ($)	-	-	-	-	-	-	-	-
Interest Income ($)	(5,000)	5,000	9,000	4,000	4,000	5,000	3,000	5,000
Net Loss (As Previously Reported) ($)	437,000	336,000	410,000	568,000	620,000	557,000	372,000	442,000
Net Loss (Revised) ($)	437,000	336,000	410,000	568,000	623,000	560,000	375,000	445,000
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

General and administrative expenses for the three months ended December 31, 2009, increased to $319,323 from $272,409 for the three months ended December 31, 2008. General and administrative expenses for the year ended December 31, 2009, increased to $1,139,294 from $1,114,771 for the year ended December 31, 2008. Increases in the fourth quarter and for the year ended December 31, 2008 are mostly attributed to an increase in consulting and professional fees.

Research and Development

For the three and twelve months ended December 31, 2009, research and development expenditures were $93,507 and $616,297 compared to $280,223 and $889,600 for the three and twelve months ended December 31, 2008. The decrease in expenditures for the three month and twelve month periods compared to 2008 are primarily the result of Management's decision to temporarily curtail research and development activities in the fourth quarter while the Corporation focused its efforts to raise additional capital. A new President and CEO was hired in the fourth quarter, the overall strategy has been refined, and Management continues to actively seek additional capital from private and institutional investors. Upon completion of additional fund raising, research and development spending will return to previous levels with the Relivar and APL-130277 projects being preferentially funded.

Net Loss

Cannasat recorded a net loss of $437,159 for the three months ended December 31, 2009, compared to a net loss of $631,117 for the three months ended December 31, 2008. The decrease in net loss for the current three month period is primarily the result of the decrease in research and development spending.

For the year ended December 31, 2009, Cannasat reported a net loss of $1,751,107, compared to a net loss of $2,003,126 for the year ended December 31, 2008. The decrease in net loss for the year is primarily the result of decreased research and development spending and recoveries on refundable scientific research tax credits in 2009. The loss for the year ended December 31, 2008 included a $254,936 gain on the sale of an equity accounted investment.

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 twelve months ended December 31, 2009, operating activities used cash of $327,883 and $1,235,001 compared to $475,357 and $1,776,145 used in operations for the three and twelve months ended December 31, 2008.

Cash used in operating activities reflects the net loss of $437,159 and $1,751,107 for the three and twelve months ended December 31, 2009, adjusted for non-cash items including amortization of equipment, the value of shares issued for services, the value of shares issued for promissory note debt interest, stock option compensation and changes in non-cash working capital. The decrease in cash outflow in the three and twelve months ended December 31, 2009 is primarily due to the decrease in research and development spending.

Investing Activities

For the three and twelve months ended December 31, 2009, investing activities used cash of $nil and $9,524 compared to cash used of $nil and received of $1,118,334 for the three and twelve months ended December 31, 2008. Included in cash provided from investing activities for the twelve-months ended December 31, 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 twelve months ended December 31, 2009, financing activities were $nil and $922,594 compared to $nil and $675,470 for the three and twelve months ended December 31, 2008. The Corporation raised $922,594 net of issue costs during the year ended December 31, 2009 through the issuance of common shares and share purchase warrants associated with one private placement that closed on February 27, 2009, and a short form prospectus offering that had two closings on August 6, 2009 and August 31, 2009.

At December 31, 2009 Cannasat had cash and cash equivalents of $483,197 compared to $805,128 of cash and cash equivalents at December 31, 2008. Shareholders' equity decreased to $(4,142) at December 31, 2009 from $429,821 at December 31, 2008, as the total proceeds from the share and warrant issuances in February and August were insufficient to offset the net loss for the year ended December 31, 2009.

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 March 3, 2010			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds $
Common	89,665,219	-	-	8,961,130
Stock options	-	6,508,750	-	-
Common share purchase warrants	-	-	12,163,350	294,444
Total	89,665,219	6,508,750	12,163,350	9,255,574

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

	as at March 3, 2010			
	Number of shares #	Number of shares issuable on exercise of options #	Number of shares issuable on exercise of warrants #	Total #
Common	89,665,219	-	-	89,665,219
Stock options	-	8,450,829	-	8,450,829
Common share purchase warrants	-	-	12,163,350	12,163,350
Total	89,665,219	8,450,829	12,163,350	110,279,398

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 January 1, 2009, the Company retrospectively adopted CICA section 3064, "Goodwill and Intangible Assets". This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. As a result of adopting the new standard, other intangible assets that were previously not amortized are now being amortized. The adoption of this new Section resulted in an adjustment to opening deficit of $27,778 as at January 1, 2008, an increase in net loss and comprehensive loss for the year ended December 31, 2008 of $11,111 and an increase to the ending deficit of $38,889 as at December 31, 2008.

(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 December 31, 2009.

(b) Recent Accounting Pronouncements

(i) International Financial Reporting Standards

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008, the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Corporation will be required to prepare IFRS financial statements for the interim and fiscal year ends beginning in 2011. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its results of operations, financial position and disclosures.

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 started in the fourth quarter of 2009. Management believes this will provide ample time to be prepared for convergence by 2011, and that there will be no material financial statement impact upon the adoption of IFRS.

(ii) Business Combinations

CICA handbook Section 1582 "Business Combinations", replaces Section 1581 "Business Combinations", and provides the Canadian equivalent to International Financial Reporting Standards 3 "Business Combinations". This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be re-measured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. Section 1582 is effective for fiscal years beginning on or after January 1, 2011.

(iii) Consolidations and Non-Controlling Interests

CICA handbook Sections 1601 "Consolidated Financial Statements", and 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". These new sections provide the Canadian equivalent to International Accounting Standard 27 "Consolidated and Separate Financial Statements". Sections 1601 and 1602 are effective for fiscal years beginning on or after January 1, 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. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to Cannasat or that Cannasat believes to be immaterial may also adversely affect Cannasat's business.

Availability of Additional Financing: The Corporation incurred a net loss of $437,159 for the three months ended December 31, 2009 and expects to incur losses from continuing operations for the near future. As at December 31, 2009, the Corporation had cash and cash equivalents of $483,197. The Corporation does not expect these funds will be sufficient to fund current product development and operating costs beyond the next six to nine 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 $9 million from the completion of nine private placement financings and a short form prospectus offering. The most recent financings were completed in August 2009 and in February 2009. 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.

Volatility of Trading Market for Cannasat's Common Shares: The volatility of Cannasat's share price may affect the trading market for Cannasat's common shares. There can be no assurance that an active trading market for the common shares will be sustained. Our share price could fluctuate significantly in the future for a number of reasons, including, among others, future announcements concerning Cannasat, quarterly variations in operating results, the introduction of competitive products, reports of results of clinical trials, regulatory developments, and intellectual property developments.

In addition, stock markets, in general, and the market for shares of biotechnology and life science companies, in particular, have experienced extreme price and volume fluctuations in recent years that may be unrelated to the operating performance or prospects of the affected companies. These broad market fluctuations may affect the market price of Cannasat's common shares.

Additional Information:

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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