CYNAPSUS THERAPEUTICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR THE PERIOD ENDED MARCH 31, 2010

This management discussion and analysis is as of May 28, 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 Operating Results and Financial Condition constitute forward-looking statements. These statements relate to future events or to Cynapsus' future financial performance and involve known and unknown risks, uncertainties and other factors that may cause Cynapsus' 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.

Name Change

On April 15, 2010, subsequent to the end of the first quarter, the Corporation announced that it received shareholder approval to change its corporate name from Cannasat Therapeutics Inc. ("Cannasat") to Cynapsus Therapeutics Inc. ("Cynapsus"). The approval was granted at the Annual General Shareholder Meeting held in Toronto on April 14, 2010. The Company's stock symbol will remain as "CTH" on the TSX Venture Exchange.

Overview

Cynapsus is a specialty clinical development pharmaceutical company targeting diseases of the brain. Cynapsus has a lower risk Parkinson's drug candidate ("APL-130277"), which is a reformulation of an approved drug. APL-130277 is designed to address a much larger moderate to severe patient population, which represents close to 50% of Parkinson's patients. Cynapsus also 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.

Cynapsus' 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, Cynapsus intends to out-license the programs to the appropriate pharmaceutical marketing partners for a combination of upfront, milestone, and royalty payments.

Revenue and Expenses

Revenue is currently generated from interest received from short term deposits. Cynapsus 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 Cynapsus' revenues, research and other expenses, reference should be made to the section below entitled "Results of Operations".

Board of Directors

On January 11, 2010, the Corporation announced that Ron Hosking has joined its Board of Directors as an independent director. Mr. Hosking replaced Peter Palframan, who stepped down to focus on other professional obligations. 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.

Letters of Intent ("LOI") and Proposed Licensing Agreements

On February 4, 2010, Cynapsus announced that it has entered into a Letter of Intent ("LOI") with Adagio Pharmaceuticals Ltd. granting Cynapsus 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 exclusive worldwide license results in Cynapsus assuming product development and commercialization rights to APL-130277 from Adagio in return for development milestones and royalties to Adagio, including common shares of Cynapsus. The license agreement includes an exclusive option period for the first 12 months which allows Cynapsus to conduct further due diligence and proof-of concept studies for APL-130277 prior to executive the full license. Within 15 days of signing of the option and license agreements and subject to Toronto Venture Exchange approval, Adagio shall be issued 750,000 common shares in the capital of Cynapsus based on a price of $0.10 per share. The option and license agreement are currently in final stages of negotiations.

On March 2, 2010, Cynapsus and 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. The license agreement is currently in final stages of negotiations.

Stock Option Issuance

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.

Expiry of Stock Options

On January 8, 2010, 200,000 shares issuable on exercise of options with exercise prices of $0.239, $0.300 and $0.317 per share expired unexercised. These stock options had been issued to Peter Palframan who was succeeded by Ron Hosking on the Board of Directors on January 11, 2010.

Expiry of Warrants

On February 8, 2010, 1,175,000 warrants exercisable at $0.22 per share expired unexercised. These warrants had been issued on August 8, 2008, as part of a private placement consisting of one common share and one common share purchase warrant at a subscription price of $0.25 per unit.

Related Party Transactions

Commencing November 15, 2009, the Corporation contracted directly with the President and Chief Executive Officer for management services performed. Prior to November 15, 2009, and commencing January 1, 2007, the Corporation contracted directly with a wholly owned corporation of the Corporation's former Chief Executive Officer. During the three months ended March 31, 2010, these payments aggregated $34,000 compared to $39,333 during the

three months ended March 31, 2009. During the three months ended March 31, 2010, the former Chief Executive Officer (and current Vice Chairman) was paid $21,000 in consulting fees for services performed.

At March 31, 2010, included in accounts payable and accrued liabilities is $133,925 (December 31, 2009 - $98,560) due to the former Chief Executive Officer, the Chief Scientific Officer, the Chief Operating Officer and Chief Financial Officer, and Directors 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 $81,500 including $58,500 due within the current year and $23,000 due the year following.

The Corporation has one contractual dispute for claims against them totalling approximately $100,000. 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 $10,500 all due within 2 months.

Subsequent Events

On April 7, 2010, the Corporation announced it intends to raise gross proceeds of up to $2,500,000 through a brokered private placement of units (each a "Unit") at a price of $0.10 per Unit (the "Offering"). Each Unit will consist of one common share in the capital of Cannasat and one-half of one common share purchase warrant of Cannasat (each whole common share purchase warrant, a "Warrant"). Each Warrant shall entitle the holder to acquire one common share of Cannasat at a price of $0.125 for a period ending 24 months from the date of closing of the Offering. The Corporation has retained Wellington West Capital Inc. to act as lead placement agent.

On April 8, 2010, 250,000 vested stock options previously granted to Peter Palframan, expired unexercised. Peter Palframan was succeeded by Ron Hosking on the Board of Directors on January 11, 2010.

FINANCIAL REVIEW:
COMPARISON FOR THE PERIODS ENDED MARCH 31, 2010 and 2009

Summary of Financial Information

	Q1 2010	Q1 2009	Variance (%)
Revenues ($)	-	-	-
Interest Income ($)	1,000	4,000	(75.0)
General and Administrative Expenditures ($)	298,000	256,000	16.4
Research and Development Expenditures ($)	85,000	245,000	(65.3)
Net Loss ($)	436,000	571,000	(23.6)
Loss per share (basic and diluted) ($)	0.00	0.01	-
Weighted average shares outstanding	89,665,219	76,019,849	17.9

	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues ($)	-	-	-	-	-	-	-	-
Interest Income ($)	1,000	(5,000)	5,000	9,000	4,000	4,000	5,000	3,000
Net Loss (As Previously Reported) ($)	436,000	437,000	336,000	410,000	568,000	620,000	557,000	372,000
Net Loss (Revised) ($)	436,000	437,000	339,000	413,000	571,000	623,000	560,000	375,000
Loss per share (basic) ($)	0.00	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 March 31, 2010, increased to $297,586 from $255,939 for the three months ended March 31, 2009. Increases in the first quarter ended March 31, 2010 are mostly attributed to an increase in consulting and board fees. In the three months ended March 31, 2010 there were three (3) board meetings and three (3) board committee meetings, whereas there were zero (0) board or committee meetings in the three months ended March 31, 2009.

Research and Development

For the three months ended March 31, 2010, research and development expenditures were $84,985 compared to $245,446 for the three months ended March 31, 209. The decrease in expenditures for the three month period compared to 2009 are primarily the result of Management's decision to temporarily curtail research and development activities while the Corporation focused its efforts to raise additional capital. A new President and CEO was hired in the fourth quarter of 2009, 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

Cynapsus recorded a net loss of $435,791 for the three months ended March 31, 2010, compared to a net loss of $570,613 for the three months ended March 31, 2009. The decrease in net loss for the current three month period is primarily the result of the decrease in research and development spending.

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.

Cynapsus 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 months ended March 31, 2010, operating activities used cash of $256,848 compared to $491,033 used in operations for the three months ended March 31, 2009.

Cash used in operating activities reflects the net loss of $435,791 for the three months ended March 31, 2010, adjusted for non-cash items including amortization of equipment and intangible assets, stock option compensation and changes in non-cash working capital. The decrease in cash outflow in the three months ended March 31, 2010 is primarily due to the decrease in research and development spending.

Investing Activities

For the three months ended March 31, 2010 and March 31, 2009, investing activities used cash of $nil.

Financing Activities

For the three months ended March 31, 2010, financing activities were $nil compared to $340,395 for the three months ended March 31, 2009. The Corporation raised $365,395 net of issue costs during the period ended March 31, 2009 through the issuance of common shares and share purchase warrants associated with one private placement that closed on February 27, 2009.

At March 31, 2010 Cynapsus had cash and cash equivalents of $226,349 compared to $654,490 of cash and cash equivalents at March 31, 2009. Shareholders' equity decreased to $(389,454) at March 31, 2010 from $(4,142) at December 31, 2009, as no funds were raised to offset the net loss for the period ended March 31, 2010.

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 May 28, 2010			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds $
Common	89,665,219	-	-	8,961,130
Stock options	-	6,258,750	-	-
Common share purchase warrants	-	-	12,163,350	236,183
Total	89,665,219	6,258,750	12,163,350	9,197,313

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

	as at May 28, 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	-	8,200,829	-	8,200,829
Common share purchase warrants	-	-	12,163,350	12,163,350
Total	89,665,219	8,200,829	12,163,350	110,029,398

Off-Balance Sheet Arrangements

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

CHANGES IN ACCOUNTING POLICIES

(a) 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.

(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 Cynapsus or that Cynapsus believes to be immaterial may also adversely affect Cynapsus' business.

Availability of Additional Financing: The Corporation incurred a net loss of $435,791 for the three months ended March 31, 2010 and expects to incur losses from continuing operations for the near future. As at March 31, 2010, the Corporation had cash and cash equivalents of $226,349. The Corporation does not expect these funds will be sufficient to fund current product development and operating costs beyond the next three to six 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 Cynapsus' Common Shares: The volatility of Cynapsus' share price may affect the trading market for Cynapsus' 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 Cynapsus, 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 Cynapsus' 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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