

**CYNAPSUS THERAPEUTICS INC.**  
(Formerly Cannasat Therapeutics Inc.)

**FIRST QUARTER REPORT**  
**MARCH 31, 2010**

**Unaudited**

**CYNAPSUS THERAPEUTICS INC.**  
**March 31, 2010**

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**CYNAPSUS THERAPEUTICS INC.**  
**Unaudited Interim Balance Sheets**

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	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 226,349	\$ 483,197
Sundry receivables (Note 5(a))	81,837	113,903
	<u>308,186</u>	<u>597,100</u>
EQUIPMENT (Note 6)	13,295	14,249
OTHER INTANGIBLE ASSETS (Note 8)	147,223	150,000
	<u>\$ 468,704</u>	<u>\$ 761,349</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Notes 10 and 11)	\$ 858,158	\$ 765,491
	<u>858,158</u>	<u>765,491</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
GOING CONCERN (Note 2)		
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 7(b))	8,961,130	8,961,130
WARRANTS (Note 7(c))	236,183	294,444
CONTRIBUTED SURPLUS (Note 7(f))	1,950,336	1,841,596
(DEFICIT)	<u>(11,537,103)</u>	<u>(11,101,312)</u>
	<u>(389,454)</u>	<u>(4,142)</u>
	<u>\$ 468,704</u>	<u>\$ 761,349</u>

APPROVED BY THE BOARD:

\_\_\_\_\_, Director  
 "Ronald Hosking"

\_\_\_\_\_, Director  
 "Rochelle Stenzler"

The accompanying notes are an integral part of these financial statements

**CYNAPSUS THERAPEUTICS INC.**  
**Unaudited Interim Statements of Operations, Comprehensive Loss  
and Deficit**

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	Three Months Ended	
	March 31,	
	2010	2009
<b>REVENUE</b>		
Interest income	\$ 990	\$ 3,841
<b>EXPENSES</b>		
General and administrative	297,586	255,939
Research and development	84,985	245,446
Amortization of equipment and intangible assets	3,731	3,174
Stock option compensation expense	50,479	69,895
	436,781	574,454
<b>NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE PERIOD</b>	<b>(435,791)</b>	<b>(570,613)</b>
<b>(DEFICIT), BEGINNING OF PERIOD</b>	<b>(11,101,312)</b>	<b>(9,311,316)</b>
<b>(DEFICIT), END OF PERIOD</b>	<b>\$ (11,537,103)</b>	<b>\$ (9,881,929)</b>
<b>(LOSS) PER SHARE - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>89,665,219</b>	<b>76,019,849</b>

The accompanying notes are an integral part of these financial statements

**CYNAPSUS THERAPEUTICS INC.**  
**Unaudited Interim Statements of Cash Flows**

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	Three Months Ended	
	March 31,	
	2010	2009
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Net loss for the period	\$ (435,791)	\$ (570,613)
Items not affecting cash		
Amortization of equipment and intangible assets	3,731	3,174
Stock option compensation expense	50,479	69,895
	(381,581)	(497,544)
Changes in non-cash operating working capital items		
Sundry receivables	32,066	7,856
Accounts payable and accrued liabilities	92,667	(1,345)
	(256,848)	(491,033)
<b>FINANCING</b>		
Private placements, net of issue costs	-	365,395
Deferred financing costs	-	(25,000)
	-	340,395
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(256,848)</b>	<b>(150,638)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>483,197</b>	<b>805,128</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 226,349</b>	<b>\$ 654,490</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF</b>		
Cash	43,305	79,771
Cash equivalents	183,044	574,719
	\$ 226,349	\$ 654,490

SUPPLEMENTARY CASH FLOW INFORMATION (Note 12)

The accompanying notes are an integral part of these financial statements

# **CYNAPSUS THERAPEUTICS INC.**

## **Notes to the Unaudited Interim Financial Statements**

### **For the three months ended March 31, 2010**

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#### **1. DESCRIPTION OF BUSINESS**

Cynapsus Therapeutics Inc. (the “Corporation” or “Cynapsus”) is a publicly traded (CTH: TSX-V) specialty clinical development pharmaceutical company targeting diseases of the brain. Cannasat Pharmaceuticals Inc. was incorporated under the Canada Business Corporations Act on January 16, 2004 and changed its name to Cannasat Therapeutics Inc. (“Cannasat”) on January 25, 2005. Cannasat and Lonsdale Public Ventures Inc. (“Lonsdale”), a capital pool company, were amalgamated on March 15, 2006 under the Business Corporations Act (Canada) and continued as one company with the name “Cannasat Therapeutics Inc.” On April 15, 2010, Cannasat changed its name to Cynapsus Therapeutics Inc. The Corporation is in the development stage as defined by the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 11 “Enterprises in the Development Stage”.

#### **2. ACCOUNTING POLICIES AND GOING CONCERN**

These interim financial statements are unaudited and have not been reviewed by the Corporation’s auditors. The management of the Corporation has prepared these interim financial statements in accordance with Canadian Generally Accepted Accounting Principles for the preparation of interim financial information and follow the same accounting policies and methods of application as the audited financial statements of the Corporation for the year ended December 31, 2009. These statements should be read in conjunction with the audited financial statements of the Corporation for the year ended December 31, 2009. The disclosure in these interim financial statements does not conform in all respects to Generally Accepted Accounting Principles in Canada for annual financial reporting.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim financial statements. Operating results for the three months ended March 31, 2010 may not be indicative of the results that may be expected for the full year ending December 31, 2010.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Corporation has used cash of \$8,648,782 in operating activities from inception to March 31, 2010 and has an accumulated deficit of \$11,537,103 as at March 31, 2010. The Corporation will be pursuing further financings. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of business, however, there is no assurance that these funds will be available on terms acceptable to the Corporation or at all. The Corporation’s continued existence is dependent upon its ability to obtain additional financing as needed and to attain profitable operations.

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

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

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**3. 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.

**4. CAPITAL MANAGEMENT**

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support its research and development activities. The Corporation’s capital consists of share capital, warrants and contributed surplus. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Corporation’s management to sustain future development of the business.

The products which the Corporation currently has in its pipeline are in the research and development stage; as such the Corporation is dependent on external financing to fund its activities. In order to carry out the planned research and development and pay for administration costs, the Corporation will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

There were no changes in the Corporation’s approach to capital management during the period ended March 31, 2010.

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

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**5. FINANCIAL RISK FACTORS**

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

(a) *Credit Risk*

The Corporation has no significant concentration of credit risk arising from operations. Financial instruments included in sundry receivables consist of goods and services tax due from the Federal Government of Canada and amounts due from the Ontario portion of the Scientific Research and Experimental Development (SRED) tax incentive program. Management believes that the credit risk concentration with respect to these financial instruments is remote.

(b) *Liquidity Risk*

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Corporation had cash and cash equivalents of \$226,349 and sundry receivables of \$81,837 (December 31, 2009 - \$483,197 and \$113,903) to settle current liabilities of \$858,158 (December 31, 2009 - \$765,491). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement in interest rates is "reasonably possible" over the next 12 months. Since cash and cash equivalents have varying terms and rates, sensitivity to a plus or minus 1% change in rates could affect its net loss by approximately \$2,250.

(c) *Market Risk*

(i) *Interest rate risk*

The Corporation has cash and cash equivalent balances as at March 31, 2010. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions bearing interest at 0.5% per annum. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Corporation considers interest rate risk to be minimal as investments are short term, the Corporation has no interest-bearing debt and future financing will be primarily secured from private placements.

(ii) *Foreign currency risk*

The Corporation's functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. The Corporation funds certain research and development expenses in the United States and Europe on a cash call basis using the US Dollar and the EURO currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Corporation does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) *Price risk*

The Corporation is exposed to price risk with respect to Active Pharmaceutical Ingredient (API) prices used in research and development activities. The Corporation monitors API prices in the United States, Europe and Asia to determine the appropriate course of action to be taken by the Corporation. Management believes that the price risk concentration with respect to API is remote.

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**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

**5. FINANCIAL RISK FACTORS (continued)**

*(d) Fair value*

The Corporation has designated its cash and cash equivalents as held-for-trading, measured at fair value. Sundry receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for cash and cash equivalents, sundry receivables and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

**6. EQUIPMENT**

	March 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Computer equipment	15,270	6,337	8,933
Furniture and fixtures	9,317	4,955	4,362
<b>Total</b>	<b>24,587</b>	<b>11,292</b>	<b>13,295</b>

  

	March 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Computer equipment	5,745	4,396	1,349
Furniture and fixtures	9,318	3,864	5,454
<b>Total</b>	<b>15,063</b>	<b>8,260</b>	<b>6,603</b>

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

**7. SHARE CAPITAL**

a) *Authorized*

Unlimited number of common shares with no par value

b) *Issued and outstanding common shares*

The number of common shares outstanding as at March 31, 2010 is as follows:

	Number of Shares #	Value \$
<b>Balance, December 31, 2009</b>	89,665,219	8,961,130
Issued	-	-
<b>Balance, March 31, 2010</b>	89,665,219	8,961,130

c) *Warrants*

The number of warrants outstanding as at March 31, 2010 is as follows:

	Number of Warrants #	Estimated Grant Date Fair Value \$	Weighted Average Price / Share
<b>Balance, December 31, 2009</b>	13,338,350	294,444	0.153
Expired February 8, 2010	(1,175,000)	(58,261)	0.220
<b>Balance, March 31, 2010</b>	12,163,350	236,183	0.140

Warrants outstanding and exercisable as at March 31, 2010 is as follows:

Number of Warrants	Number of shares issuable on exercise of warrants #	Effective Strike Price (\$/share)	Estimated Grant Date Fair Value \$	Expiry Date
1,935,000	1,935,000	0.150	54,809	February 26, 2011
7,509,500	7,509,500	0.150	130,874	August 6, 2011
750,950	750,950	0.100	15,634	August 6, 2011
1,789,000	1,789,000	0.150	31,038	August 31, 2011
178,900	178,900	0.100	3,828	August 31, 2011
<b>12,163,350</b>	<b>12,163,350</b>		<b>\$ 236,183</b>	

Continued

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

**7. SHARE CAPITAL (continued)**

*d) Stock options*

The Company has in place a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is a maximum of 10% of the issued and outstanding common shares of the Company. No one person shall be granted options representing more than 5% of the issued and outstanding common shares of the Company in a 12-month period. Option grants to persons providing consulting and investor services may not exceed 2% of the issued and outstanding common shares of the Company in any 12-month period. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company and shall not be lower than the discounted market price (as defined by the the TSX Venture) of the shares at the time of grant, subject to all applicable regulatory requirements.

The number of stock options outstanding as at March 31, 2010 is as follows:

	Number of Options	Number of Shares Issuable on Exercise of Options	Weighted Exercise Price (/share)
	#	#	\$
Options outstanding as at December 31, 2009	6,283,750	8,225,829	0.215
Expired	(200,000)	(200,000)	0.158
Granted	425,000	425,000	0.100
Options outstanding as at March 31, 2010	6,508,750	8,450,829	0.209

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.

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.

The weighted average grant date fair value of the stock options issued during the period ended March 31, 2010 is \$0.07. The fair value of the options granted during the period ended March 31, 2010, has been estimated on the date of issue using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0% (2008: 0%), expected volatility of 122%, risk free rate of return interest rates of 2.37% and an expiry period of 5 years.

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**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

**7. SHARE CAPITAL (continued)**

*d) Stock options (continued)*

Stock options issued and outstanding as at March 31, 2010 are as follows:

Number of Options	Number of Shares		Effective Strike Price (\$/share)	Expiry Date
	Issuable on Exercise of Options	Options		
200,000	200,000		0.200	June 25, 2010
41,667	125,000		0.283	June 30, 2010
48,750	40,829		0.239	July 28, 2010
66,667	200,000		0.317	August 31, 2010
150,000	150,000		0.300	December 3, 2010
41,666	125,000		0.283	December 31, 2010
50,000	150,000		0.283	March 23, 2011
208,333	625,000		0.283	June 30, 2011
66,667	200,000		0.317	August 31, 2011
50,000	150,000		0.283	August 31, 2011
250,000	750,000		0.283	November 1, 2011
50,000	50,000		0.300	December 3, 2011
116,667	350,000		0.283	December 31, 2011
260,000	260,000		0.250	May 24, 2012
816,666	816,666		0.250	June 25, 2012
16,667	50,000		0.283	June 30, 2012
66,666	200,000		0.317	August 31, 2012
50,000	50,000		0.300	December 3, 2012
600,000	600,000		0.200	April 4, 2013
733,334	733,334		0.200	June 25, 2013
250,000	250,000		0.200	August 28, 2013
1,450,000	1,450,000		0.100	August 31, 2014
500,000	500,000		0.100	November 16, 2014
425,000	425,000		0.100	March 3, 2015
<b>6,508,750</b>	<b>8,450,829</b>			

The total number of common shares that are issuable pursuant to stock options that are exercisable as at March 31, 2010 is 5,225,831. The weighted average exercise price of stock options that are exercisable as at March 31, 2010 is \$0.250.

Continued

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

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**7. SHARE CAPITAL (continued)**

*e) Escrowed shares*

On March 15, 2006, Cannasat amalgamated with Lonsdale Public Ventures (“Lonsdale”), a capital pool company. Immediately following the amalgamation, 38,705,837 common shares of the Corporation were subject to escrow. 34,608,879 of these escrowed shares are to be released over a period of 72 months on the basis of 5% to be released six months after the final Exchange bulletin (March 23, 2006), 5% to be released every six months thereafter for the next 18 months and 10% to be released every six months thereafter for the next 48 months. At March 31, 2010, 13,843,562 of the 72-month release shares are still subject to escrow. The remaining 4,096,958 escrowed shares were released over a period of 36 months ending on March 23, 2009.

*f) Contributed Surplus*

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

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Balance December 31, 2009	\$ 1,841,596
Compensation earned during the period – employee	49,729
Compensation earned during the period – non-employee	750
Expiry of warrants, February 8, 2010	58,261
Balance March 31, 2010	\$ 1,950,336

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**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

**8. OTHER INTANGIBLE ASSETS**

On June 10, 2005, the Corporation entered into a license agreement with a research and development company. The License fee of \$200,000 was satisfied by the execution and delivery of two promissory notes on June 30, 2005 in the aggregate principal amount of \$100,000 plus interest (see Note 9) and the issuance of 117,648 Class A common shares at an aggregate subscription price of \$100,000. In addition to the acquisition costs, the Corporation has agreed to pay a combination of milestone-based payments and royalties. The license is for patents that have been issued in certain jurisdictions and are currently pending in others.

	March 31, 2010		
	Cost	Accumulated	Net Book
	\$	Amortization	Value
License	200,000	52,777	147,233

	March 31, 2009		
	Cost	Accumulated	Net Book
	\$	Amortization	Value
License	200,000	41,666	158,334

**9. NOTES PAYABLE**

Promissory notes in the aggregate principal amount of \$100,000 were issued by the Corporation on June 30, 2005 in connection with the signing of the agreement for the worldwide license to make, use or sell certain licensed products (see Note 8). The notes, including \$25,000 in interest owed, were settled by the issuance of 1,250,000 common shares on December 18, 2009.

**10. RELATED PARTY TRANSACTIONS**

Related party transactions during the periods ended March 31, 2010 and 2009 are as follows:

	Three Months Ended	
	March 31,	
	2010	2009
Management fees	\$ 34,000	\$ 39,333
Director fees	19,300	-
Consulting services paid to a Director	21,000	-
	<u>\$ 74,300</u>	<u>\$ 39,333</u>

At March 31, 2010, included in accounts payable and accrued liabilities is \$133,925 (December 31, 2009 - \$98,560) due to officers 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.

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

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**11. 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 a consulting agreement requiring total payments of approximately \$10,500 all due within 2 months.

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 licence 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.

**CYNAPSUS THERAPEUTICS INC.**  
**Notes to the Unaudited Interim Financial Statements**  
**For the three months ended March 31, 2010**

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**12. SUPPLEMENTARY CASH FLOW INFORMATION**

	Three Month Ended	
	March 31,	
	2010	2009
Income taxes paid	\$ -	\$ -
Interest paid	499	2,042

The following significant transactions did not generate or use cash:

Contributed Surplus	108,740	148,102
Compensation Expense	(50,479)	(69,895)

**13. SUBSEQUENT EVENTS**

- a) 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.
- b) On April 8, 2010, 250,000 vested stock options previously granted to a Director, expired unexercised.