CYNAPSUS THERAPEUTICS INC.

(formerly Cannasat Therapeutics Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS
OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE YEAR ENDED DECEMBER 31, 2010

This management discussion and analysis is as of March 4, 2011. The following discussion and analysis should be read in conjunction with the audited financial statements and notes thereto for the years ended December 31, 2010 and 2009, 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 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, 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 remains as "CTH" on the TSX Venture Exchange.

Overview

Cynapsus is a specialty clinical development pharmaceutical company targeting diseases of the brain. Cynapsus' lead drug candidate, APL-130277, is a reformulation of an approved drug for the treatment of motor fluctuation in Parkinson's disease. APL-130277 is designed to be a convenient, fast-acting rescue of patients experiencing motor fluctuations from "off" episodes during the day. The reformulation could address a large moderate to severe patient population, which represents approximately 25% to 50% of Parkinson's patients.

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".

Change in Board of Directors

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.

Debenture Financings and Share Issuances

On July 16, 2010, Cynapsus announced that it completed a financing of secured debentures in the aggregate amount of $520,000. The Secured Debentures bear interest at a rate of 8% per annum and are secured by a security interest in the assets of the Company. The Secured Debentures are payable by Cynapsus on December 30, 2011. As part of the Financing, the Corporation paid an 8% capital discount to the debenture holders resulting in net proceeds to the Corporation of $478,400 and issued 1,913,600 common shares to the debenture holders at a price of $0.05 per share.

On July 30, 2010, Cynapsus announced that it completed a second financing of secured debentures in the aggregate amount of $180,000. The Secured Debentures bear interest at a rate of 8% per annum and are secured by a security interest in the assets of the Company. The Secured Debentures are payable by Cynapsus on December 30, 2011. As part of the Financing, the Corporation paid an 8% capital discount to the debenture holders resulting in net proceeds to the Corporation of $165,600 and issued 662,400 common shares to the debenture holders at a price of $0.05 per share.

On November 24, 2010, Cynapsus announced that it completed a financing of a Series B secured debenture in the aggregate amount of $100,000. The Secured Debenture bears interest at a rate of 8% per annum and is secured by a security interest in the assets of the Company. The Secured Debenture is payable by Cynapsus on March 24, 2011. As part of the Financing, the Corporation paid an 8% capital discount to the debenture holder resulting in net proceeds to the Corporation of $92,000 and issued 368,000 common shares to the debenture holder at a price of $0.05 per share.

License Option Agreement and Share Issuance

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 were 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. It should be noted that Anthony Giovinazzo, Cynapsus' President and CEO, is also a director, officer and shareholder of Adagio, a private holding company for the APL-130277 asset only. Steps were taken to address any potential conflict of interest, including the engagement of independent third party business development consultants from Canada and the United States to assist in negotiations. All aspects of the option and license agreements were subject to Board approval.

On July 26, 2010, Cynapsus announced that it entered into a License Option Agreement with Adagio Pharmaceuticals Ltd. ("Adagio") 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 two parties have also finalized an exclusive worldwide license that would result 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.

On September 14, 2010 Cynapsus issued 750,000 common shares at a price of $0.05 per share to Adagio based on a deemed value of $37,500. 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 executing the full license.

Definitive License Agreement and Debt Forgiveness

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 December 31, 2010, the Corporation and IntelGenx Corporation executed a Definitive License Agreement, whereby IntelGenx agreed to pay a royalty on future sales of the INT0010 (formerly Relivar), a buccal/sublingual formulation of THC (dronabinol) for the symptomatic management of Multiple Sclerosis induced neuropathic pain and other conditions. As part of this agreement, IntelGenx has forgiven $230,688 of debt owing by Cynapsus, and Cynapsus has retained exclusive worldwide rights to its licensed technology as it relates to generic THC products for the treatment of nausea/vomiting and appetite stimulation.

Stock Option Issuances

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.

On August 12, 2010 the Corporation granted stock options to acquire 1,300,000 common shares. The stock options were granted to directors and officers of the Corporation at an exercise price of $0.10 per share for a term of 5 years from date of grant.

On November 10, the Corporation granted stock options to acquire 200,000 common shares. The stock options were granted to directors and officers of the Corporation at an exercise price of $0.10 per share for a term of 5 years from date of grant.

Related Party Transactions

At December 31, 2010, included in accounts payable and accrued liabilities is $197,440 (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.

On July 19, 2010, the Corporation completed a financing of secured debentures in the aggregate amount of $520,000. Included in this total, was a $50,000 debenture from a director who was also issued 184,000 common shares at a price of $0.05 per share.

On September 14, 2010 Adagio was issued 750,000 common shares in the capital of Cynapsus based on a price of $0.05 per share. An officer of the Corporation is also a director, officer and majority shareholder of Adagio, a private holding Corporation.

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

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

Commitments and Contingencies

The Corporation is party to certain management contracts for its executive officers. Minimum management contract termination commitments remaining under the agreements, for termination without cause, is approximately $300,000 and are all payable within one year.

The Corporation is subject to additional termination and stock option commitments, contingent upon the Corporation raising a cumulative amount of $5 million after November 16, 2009. 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 after that date 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.

During the year ended December 31, 2010, the Corporation awarded bonuses of $179,052 to certain officers and employees of the Corporation, with payment being contingent upon the Corporation raising a minimum of $3 million. 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 $23,000 due within one year.

The Corporation has one contractual dispute for amounts totalling $36,000. Included in accounts payable and accrued liabilities is $20,000 related to this potential dispute. Management believes this dispute will be settled before June 30, 2011.

The Corporation has retained Summer Street Research Partners ("Summer Street") to serve as its exclusive financial advisor effective December 15, 2010. In addition to reasonable out-of-pocket expenses, the Corporation has agreed to pay Summer Street compensation for its services under an agreement. If a financing is consummated, the Corporation agrees to pay Summer Street a cash placement fee equal to eight percent on any gross proceeds received whereby the investors have been introduced by Summer Street. In addition, the Company shall issue to Summer Street, warrants to purchase that number of shares of common stock of the Corporation equal to an aggregate of eight percent of the aggregate number of shares issued or issuable in connection with the financing. If a Partnering Transaction or Merger, Sale or Acquisition is consummated, the Corporation shall pay to Summer Street a cash fee equal to the greater of five percent of the consideration or US$100,000. If Summer Street is requested to provide an Opinion, a cash fee of US$250,000 will be required.

Subsequent Events

On January 28, 2011, Cynapsus announced that it completed a financing of Series C secured debentures in the aggregate amount of $300,000. The Secured Debentures bear interest at a rate of 8% per annum and is secured by a security interest in the assets of the Corporation (equal to the Series A Debentures). The Secured Debentures are payable by Cynapsus on or before December 30, 2011. As part of the Financing, the Corporation paid an 8% capital discount to the debenture holders resulting in net proceeds to the Corporation of $276,000 and issued 1,104,000 common shares to the debenture holders.

As a collateral matter to the Series C debenture financing, effective January 28, 2011, and pursuant to the terms of Share Purchase Agreements dated January 21, 2011, David Hill and Lorne Gertner have agreed to transfer for nominal consideration to third parties 6,308,454 shares immediately, 736,212 shares on September 23, 2011, and 736,212 shares on March 23, 2012. As a result, upon closing of the financing, David Hill and Lorne Gertner will own 9.77% and 9.86%, of the Common shares in the capital of the Corporation, respectively.

On February 3, 2011, Cynapsus announced that it has closed a non-brokered private placement (the "Private Placement") of units ("Units") effective February 2, 2011. Cynapsus issued an aggregate of 5,800,000 Units at a price of $0.05 per Unit raising gross proceeds of $290,000. Each Unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at a price of $0.10 for a period ending 24 months from the closing date. The common shares issued under the Private Placement are subject to a hold period of four months expiring on June 1, 2011.

On February 26, 2011, 1,935,000 warrants exercisable at $0.15 per share expired unexercised.

On March 4, 2011, the Corporation granted stock options to acquire 750,000 common shares. The stock options were granted to a director, officers, employees and a consultant at an exercise price equal to $0.10 per share and with an expiry of 5 years. Of the total, 200,000 options were granted to each of Anthony Giovinazzo (President & CEO) and Andrew Williams (COO/CFO), 150,000 to Nathan Bryson (CSO), and 100,000 to Alan Ryley (Director).

FINANCIAL REVIEW:
COMPARISON FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Summary of Financial Information

	2010	2009	2008
Revenues ($)	-	-	-
Interest Income ($)	1,000	13,000	17,000
General and Administrative Expenditures ($)	1,188,000	1,139,000	1,115,000
Research and Development Expenditures ($)	454,000	616,000	890,000
Net Loss ($)	1,441,000	1,751,000	2,003,000
Loss per share (basic and diluted) ($)	0.02	0.02	0.03
Weighted average shares outstanding	91,162,628	81,566,918	73,199,610
Total assets ($)	389,000	761,000	1,043,000

	2010				2009			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues ($)	-	-	-	-	-	-	-	-
Interest Income ($)	-	-	-	1,000	(5,000)	5,000	9,000	4,000
Net Loss ($)	178,000	400,000	427,000	436,000	437,000	336,000	410,000	568,000
Loss per share (basic) ($)	0.00	0.00	0.00	0.00	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, 2010, decreased to $266,861 from $319,323 for the three months ended December 31, 2009. General and administrative expenses for the year ended December 31, 2010, increased to $1,188,360 from $1,139,294 for the year ended December 31, 2009.

The decrease in general and administration expenses in the fourth quarter 2010 compared to 2009 are primarily attributed to one-time consulting and transition expenses related to the hiring of a new CEO in the fourth quarter of 2009. The increase in general and administration expenses for the year ended December 31, 2010 compared to 2009 are mostly attributed to an increase in consulting and professional fees.

Research and Development

For the three and twelve months ended December 31, 2010, research and development expenditures were $136,980 and $454,027 compared to $93,507 and $616,297 for the three and twelve months ended December 31, 2009.

The increase in expenditures for the three month period ended December 2010 compared to 2009 are primarily due to increased research and development spending on APL 130277 in the fourth quarter 2010, as a result of closing two debenture financings in the third quarter 2010.

The decrease in expenditures for the twelve 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 $177,490 for the three months ended December 31, 2010, compared to a net loss of $437,159 for the three months ended December 31, 2009. The decrease in net loss for the current three month period is primarily the result of the $230,688 forgiveness of debt by IntelGenx in the fourth quarter 2010 and the decrease in research and development spending.

For the year ended December 31, 2010, Cynapsus reported a net loss of $1,439,782 compared to a net loss of $1,751,107 for the year ended December 31, 2009. The decrease in net loss for the current twelve month period is primarily the result of the $230,688 forgiveness of debt by IntelGenx in the fourth quarter 2010 and the decrease in research and development spending, which offset the reduction in government reimbursements for scientific research received in 2010 compared to amounts received 2009.

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. In the past year, the Corporation has also raised capital through the issuance of secured debentures.

Cynapsus anticipates future funding requirements to be met primarily through additional securities issuances, debentures, 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, 2010, operating activities used cash of $246,236 and $1,025,713 compared to $327,883 and $1,235,001 used in operations for the three and twelve months ended December 31, 2009.

Cash used in operating activities reflects the net loss of $177,490 and $1,439,782 for the three and twelve months ended December 31, 2010, adjusted for non-cash items including amortization of equipment and intangible assets, stock option compensation expenses, accretion and interest expenses for debentures, forgiveness of debt, and changes in non-cash working capital. The decrease in cash outflow in the three and twelve months ended December 31, 2010 is primarily due to the decrease in research and development spending and stock option compensation expenses, which offset the reduction in government reimbursements for scientific research received in 2010 compared amounts received in 2009.

Investing Activities

For the three and twelve months ended December 31, 2010, investing activities used cash of $nil and $nil compared to cash used of $nil and $9,524 for the three and twelve months ended December 31, 2009. Included in cash provided from investing activities for the twelve-months ended December 31, 2009, was an acquisition of computer equipment.

Financing Activities

For the three and twelve months ended December 31, 2010, financing activities were $92,000 and $736,000 compared to $nil and $922,594 for the three and twelve months ended December 31, 2009. The Corporation raised $736,000 during the year ended December 31, 2010 through debenture financings in July and November.

At December 31, 2010 Cynapsus had cash and cash equivalents of $193,484 compared to $483,197 of cash and cash equivalents at December 31, 2009. Shareholders' equity decreased to $(1,114,792) at December 31, 2010 from $(4,142) at December 31, 2009, as the total proceeds from the share and debentures financings in July and November were insufficient to offset the net loss for the year ended December 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 March 4, 2011			
	Number of shares #	Number of options #	Number of warrants #	Net proceeds $
Common	99,159,219	-	-	8,947,147
Stock options	-	8,010,000	-	-
Common share purchase warrants	-	-	10,288,350	236,183
Total	99,159,219	8,010,000	10,228,350	9,183,330

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

	as at March 4, 2011			
	Number of shares #	Number of shares issuable on exercise of options #	Number of shares issuable on exercise of warrants #	Total #
Common	99,159,219	-	-	99,159,219
Stock options	-	9,660,000	-	9,660,000
Common share purchase warrants	-	-	10,228,350	10,228,350
Total	99,159,219	9,660,000	10,228,350	119,047,569

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. Based on the analysis of information to date and due to the simplicity of the Corporation's accounting policies and computer systems, management considers the risk of not meeting the changeover date to be minimal. Management has developed a changeover plan and is in the process of implementing it.

(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. The Corporation is currently evaluating the impact that this new standard may have on the financial statements of the Corporation.

(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. The Corporation is currently evaluating the impact that this new standard may have on the financial statements of the Corporation.

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 $177,489 for the three months ended December 31, 2010 and expects to incur losses from continuing operations for the near future. As at December 31, 2010, the Corporation had cash and cash equivalents of $193,484. The Corporation does not expect these funds will be sufficient to fund current product development and operating costs beyond the next 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, a short form prospectus offering and three debenture financings. The most recent financings were completed in July and August 2010. 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 July 2010, the Corporation announced the signing of a licensing option agreement with Adagio Pharmaceuticals for a Parkinson's Disease drug candidate, 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.

Contact Information:

Cynapsus Therapeutics Inc.
Anthony Giovinazzo
President and Chief Executive Officer
W: 416-703-2449 (Ext. 225)
www.cynapsus.ca
info@cynapsus.ca