SATELLOS BIOSCIENCE INC.

(Formerly known as iCo Therapeutics Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2022 and December 31, 2021

This management's discussion and analysis ("**MD&A**") has been prepared as of March 29, 2023 and provides an analysis of the financial results of Satellos Bioscience Inc. ("**Satellos**" or the "**Company**", formerly, iCo Therapeutics Inc. ("**iCo**")) for the years ended December 31, 2022, and December 31, 2021. The MD&A should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2022 and December 31, 2021 and the related notes thereto (together, the "**audited annual consolidated financial statements**"). The audited annual consolidated financial statements were prepared in accordance with IFRS as issued by IASB. All dollar amounts are expressed in Canadian dollars unless otherwise noted. Where applicable, the currency of the United States is referred to throughout as "US dollars" or "US$", and the currency of Australia is referred to throughout as "Australian dollars" or "A$".

FORWARD-LOOKING STATEMENTS

Certain statements and information in this MD&A contain "forward-looking information" and "forward-looking statements", within the meaning of applicable Canadian securities laws (collectively herein referred to as "**forward-looking statements**"). These statements relate to future events or future performance and reflect the Company's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Company. These forward-looking statements are made as of the date of this MD&A or, in the case of documents incorporated by reference herein, as of the date of such documents. Forward-looking statements are frequently, but not always, identified by words such as "expects", "expectation", "anticipates", "believes", "intends", "intention", "estimates", "predicts", "continues", "potential", "targeted", "plans", "possible", "goal", "seek", "project", "future", "likely" and similar expressions, or statements that events, conditions or results "will", "may", "could", "would" or "should" occur or be achieved. Any forward-looking statements or statements of "belief", including the statements made under "*Risks and Uncertainties*", represent the Company's estimates only as of the date of this MD&A and the documents incorporated by reference herein, respectively, and should not be relied upon as representing the Company's estimates as of any subsequent date.

Forward-looking statements are necessarily based on estimates and assumptions made by Satellos in light of its experience and perception of historical trends, current conditions and expected future developments, as well as factors that Satellos believes are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- our belief that the Company will be successful in raising additional capital to continue as a going concern;
- our belief that the Company's products and research and development efforts are targeting diseases and conditions with significant unmet medical treatment needs;
- the expected research and development timelines, therapeutic benefits, effectiveness and safety of our product candidates;

- our belief that the Company has made, and will continue to make progress towards the achievement of certain milestones or objectives;
- our expectation with respect to meeting milestones and the minimum amount of funds the Company expects to need to raise in order to achieve such milestones and garner additional funding;
- the initiation, timing, cost, progress, outcomes, resource needs and success of our research and development activities, plans and programs;
- our expectations regarding our ability to design, test and patent novel drug products suitable for advancement into Investigational New Drug ("**IND**") enabling studies and clinical trials and the anticipated timelines surrounding such enabling studies;
- our belief that we will not receive substantive comments on our IND application;
- our expectations that the Notch pathway and K9 (as defined below) drug target (both as further described herein) represent drug development opportunities similar or superior to PTPX (as defined below);
- our intentions of developing inhibitors to K9 (including but not limited to SAT-3153) and in showing such potential inhibitors have desirable effects in relevant models of Duchenne muscular dystrophy ("**Duchenne**");
- our expectations that predictive biomarkers as discussed herein will translate into or be useful in conducting human clinical trials;
- our belief that the results of Satellos' research and development activities, preclinical studies, safety studies or clinical trials being equivalent to or better than previous research and development activities, preclinical studies, safety studies or clinical trials;
- discoveries in muscle stem cell regulation that may provide insight into a potential root cause of degenerative muscle disorders which has previously not been recognized and which may be treated therapeutically;
- our belief that the Company's technology can be commercialized, and that such commercialization could be done as effectively or more effectively than other technologies to treat degenerative muscle disorders and conditions or other medical disorders or conditions, or at all;
- our ability to discover, optimize, select and advance into clinical development our therapeutic drug development candidates in a timely, cost-efficient and effective manner, or at all;
- our ability to translate our discoveries in muscle stem cell regulation into safe and therapeutically effective drug products and the broad applicability of such products;
- our ability to enter into research and/or commercial development collaborations or partnerships to successfully and profitably advance our drug development candidates;
- our ability and our partners' ability to advance identified drug development candidates into, and successfully complete, clinical trials and the timelines surrounding such trials;
- our intention to identify and nominate one or more back-up drug candidates and the potential benefits of having such back-ups;
- our plans to utilize and deploy MyoRegenX™ in our programs and our continued relationship with OHRI (as defined below);
- our ability to develop the Company's novel discoveries into viable therapeutic treatments suitable for clinical development expectations, including, but not limited to, our ability to determine appropriate dosing regimes;

- our expectations regarding the advancement of our technology, including to treat Duchenne through further research and development, and preclinical and clinical studies;
- the ability of our products to effectively and safely treat Duchenne and other degenerative muscle disorders and conditions or other medical disorders or conditions and the applicability of our products to other disorders and conditions;
- our expectations regarding the advancement of OralTrans™ (each as defined below) through further studies;
- our expectations regarding enrolment and the timing of enrolment for our product candidates;
- our belief that our approach may reduce the risk, time and cost of developing therapeutics by avoiding some of the uncertainty associated with certain research and preclinical stages of drug development;
- our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- our ability to enter into agreements or partnerships with pharmaceutical or biotechnology companies that have sales and marketing capabilities and the expected benefits that could be derived therefrom;
- the plans and objectives of management for future operations, including, but not limited to, plans to enter into joint ventures, partnerships or other collaborations;
- our ability to protect our intellectual property;
- our ability to operate our business without infringing upon the intellectual property rights of others;
- our ability to engage third party services with specialized domain expertise for the drafting and submitting of regulatory applications to conduct clinical trials in humans;
- the manufacturing capacity of third-party manufacturers for our product candidates;
- our expectations regarding federal, provincial and foreign regulatory requirements;
- the timing of, and the costs of obtaining and maintaining, regulatory approvals in the United States, Canada and other jurisdictions;
- our plans to meet with the United States Food and Drug Administration (the "**FDA**"), file an application to obtain drug designations and initiate studies;
- our plans to identify a new drug development program;
- the rate and degree of market acceptance and clinical utility of our future products, if any;
- existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us or to us pursuant to such arrangements;
- the implementation and execution of our commercial and operational strategy;
- our ability to engage and retain the consultants or employees required to grow our business;
- our ability to obtain funding for our operations, including funding for research and commercial activities;
- our ability to achieve profitability;
- the anticipated revenue that may be generated from our products and estimated patient population;

- developments relating to our competitors and our industry, including the success of competing therapies that are or become available;
- the potential growth of the market and demand for our products as well as the estimated pricing and subsequent revenue generation of any potential therapeutics we discover;
- our belief that any discoveries by the Rudnicki Lab (as defined below) have the potential to have a positive impact on Satellos and our work;
- our future financial performance, including projected expenditures, future revenue, capital requirements and our needs for additional financing;
- the impact of the COVID-19 pandemic on our business;
- the impact of global geopolitical risks, including the current conflict between Russia and Ukraine; and
- general business and economic conditions and outlook.

Such forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Satellos as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance, achievements, prospects or opportunities to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to:

- obtaining positive results from our research and development activities, including clinical trials;
- our ability to obtain regulatory approvals;
- assumptions regarding general business, market and economic conditions;
- assumptions regarding the cost and timing of each study;
- the Company's ability to successfully advance its development programs and execute its plans substantially as currently envisioned;
- the Company's outlook on and ability to develop iCo-008 and OralTrans™;
- the Company's ability to identify a suitable drug candidate;
- the Company's current positive relationships with third parties will be maintained and the potential to develop new partnerships;
- our ability to continue to use existing licenses for the development of our product(s);
- the availability (and sources) of financing on reasonable terms;
- future expenditures to be incurred by the Company, including research and development and operating costs;
- the Company's ability to attract and retain skilled consultants and employees;
- assumptions regarding market competition, market capture and pricing;
- the products and technology offered by the Company's competitors;
- the Company's ability to protect patents and proprietary rights; and
- the limited impact of the COVID-19 pandemic on our operations.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined under the headings "*Foreign Currency Risk"*, "*Liquidity Risk*", "*Credit Risk*" and "*Risks and Uncertainties*" in this MD&A and the risks outlined in the Company's annual information form for the year ended December 31, 2021 dated May 27, 2022 (the "**AIF**"). Certain risks and uncertainties that could cause such actual events or results expressed or implied by such forward-looking statements and information to differ materially from any future events or results expressed or implied by such statements and information include, but are not limited to:

- risks related to the early stage of our products;
- uncertainties related to preclinical product development activities and clinical trial outcomes;
- uncertainties related to current economic conditions;
- risks related to rapid technological change;
- uncertainties related to forecasts and timing of clinical trials and regulatory approval;
- competition in the market for therapeutic products, including those to treat Duchenne and related diseases;
- risks related to potential product liability claims;
- availability of financing and access to capital and the risks associated with the Company's ability to continue as a going concern;
- market acceptance and commercialization of products;
- the availability, costs and supply of materials;
- risks related to the effective management of our growth;
- risks related to the reliance on partnerships and licensing agreements;
- risks related to our reliance on key personnel;
- risks related to the regulatory approval process for the manufacture and sale of therapeutic products; and
- our ability to secure and protect our intellectual property.

The Company cautions that the foregoing list of important factors and assumptions is not exhaustive. Although the Company has attempted to identify on a reasonable basis important factors and assumptions related to forward-looking statements, there can be no assurance that forward-looking statements will prove to be accurate, as events or circumstances or other factors could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise. Accordingly, readers should not place undue reliance on forward-looking statements.

ADDITIONAL CAUTIONARY NOTE REGARDING COVID-19

COVID-19 has cast considerable additional uncertainty on each of the assumptions contained in this MD&A. There can be no assurance that such assumptions will continue to be valid. Given the rapid pace of change, it is premature to make further assumptions about these matters. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 and its related measures on the economy and the financial impact on Satellos' business continues to be unknown. These impacts could include,

amongst others, an impact on Satellos' ability to obtain debt or equity financing, impairment of investments, impairments in the value of Satellos' assets, or potential future decreases in revenue or profitability of Satellos' ongoing operations. See "*Risks and Uncertainties*" below.

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

Overview of the Business

Satellos is a Canadian company incorporated under the laws of Canada. The head office, principal address, and records of the Company are located at 79 Wellington Street West, 33rd Floor, Toronto, Ontario M5K 1N2 Canada. The Company has a wholly owned subsidiary in Australia and a wholly owned Canadian subsidiary.

On August 13, 2021, iCo, a corporation incorporated under the laws of the Province of British Columbia, acquired all of the issued and outstanding common shares of Satellos Bioscience Inc., a private corporation incorporated under the laws of Canada ("**Pre-Arrangement Satellos**"), pursuant to a plan of arrangement (the "**Arrangement**") that was completed under section 192 of the *Canada Business Corporations Act* ("**CBCA**"), constituting a "reverse takeover" pursuant to Policy 5.2 *Changes of Business and Reverse Takeovers* of the TSX Venture Exchange (the "**TSXV**"). In connection with the Arrangement, iCo: (a) was continued under the CBCA; (b) amalgamated with Pre-Arrangement Satellos to form the Company as it now exists; and (c) consolidated its outstanding common shares on a 20:1 basis.

Under IFRS, Pre-Arrangement Satellos is the acquirer, and from an accounting perspective the consolidated entity is considered to be a continuation of Pre-Arrangement Satellos with the net assets of iCo at the date of the completion of the Arrangement deemed to have been acquired by Pre-Arrangement Satellos. The consolidated financial statements include the results of operations of iCo from August 13, 2021. Comparative figures dated prior to the completion of the Arrangement, for prior periods, are those of Pre-Arrangement Satellos.

Upon completion of the Arrangement, the Company took the name Satellos Bioscience Inc. and the Company's common shares ("**Common Shares**") began trading on the TSXV on August 18, 2021 under the ticker symbol "MSCL".

Description of Business Strategy and Programs

Satellos is a drug discovery and development company with a focus on muscle regeneration. Since completion of the Arrangement, Satellos is generally comprised of two broad drug development portfolios: (1) intellectual property, trademarks and know-how which was previously owned and under development by Pre-Arrangement Satellos (the "**Satellos Portfolio**"); and (2) intellectual property and assets which were previously owned and under development by iCo (the "**iCo Portfolio**"). The Company devotes the vast majority of its efforts to research and development, raising capital, recruiting personnel and long-term planning efforts to advance the Satellos Portfolio. Each portfolio is described below.

The Satellos Portfolio

The Company's primary goal is the development of life changing therapeutic drugs for the treatment of devastating muscle conditions of great medical need. Our core technology stems from the Satellos Portfolio, which is based on seminal biological discoveries by the Company's scientific founder and Chief Scientific Officer, Dr. Michael Rudnicki, into understanding and modulating muscle stem cell function and its role in muscle regeneration. The Company believes these discoveries into muscle stem cell function and modulation have uncovered a previously unrecognized mechanistic root cause of a range of degenerative

muscular disorders and conditions. They are original, have been published in peer-reviewed scientific journals of renown and represent deep scientific insight. The Company further believes these discoveries and continuing advances it has made may have relevance to treating these illnesses.

Based on these discoveries, Satellos is focused on the invention and development of new classes of therapeutic drugs designed to restore proper stem cell function in disease situations and help damaged muscles repair and regenerate themselves. Accordingly, the Company has licensed issued patents and pending patent applications from the Ottawa Hospital Research Institute ("**OHRI**") pursuant to a license agreement (the "**OHRI License Agreement**") covering these foundational discoveries and is working to invent and develop new classes of small molecule therapeutic drugs. Satellos believes its approach is unique, with the potential to provide life-improving treatments across a broad range of degenerative conditions -- spanning lethal genetic diseases to aging-related muscle loss -- where the medical need is significant. The Company intends, in a staged fashion building on progress, to pursue multiple applications of its technology to treat muscle degeneration diseases and muscle loss associated with aging and injury.

To advance and expand our therapeutic development programs for degenerative muscle conditions or disorders, Satellos has created a proprietary discovery platform, MyoReGenX™, an automated microscopy system which recapitulates the muscle stem cell environment *ex-vivo* (i.e., outside the body). MyoReGenX™ enables Satellos to identify regulators of stem cell polarity that are capable of rescuing the defective regeneration process by tracking, classifying and quantitating the divisions of individual muscle stem cells in response to stimuli such as drug candidates or small interfering ribonucleic acid ("**siRNA**"). Building on the identification and discovery of disease specific deficiencies in either symmetric or asymmetric stem cell divisions in Dr. Rudnicki's lab (the "**Rudnicki Lab**") to which the Company has exclusive access (Source: Feige et al. 2018. Cell Stem Cell.), deploying MyoReGenX™, Satellos has identified several additional biochemical pathways and drug targets by which muscle stem cells are amenable to modulation. The Company has evaluated and prioritized these pathways and targets for their capacity to regulate muscle stem cell driven regeneration. Satellos is building on these and other findings and actively deploying MyoReGenX™ in its drug discovery and development programs, commencing with Duchenne.

I. Lead Program: Duchenne

The Company's first application of its technology (the "**Lead Program**") is directed towards the discovery and development of a small molecule drug for the treatment of Duchenne, the most common fatal genetic disorder diagnosed in childhood affecting approximately 1 in 4,000 male births per year, worldwide. Duchenne is characterized by debilitating and progressively worsening muscle degeneration which ultimately culminates in death, generally by the third decade of life. There is no known cure for Duchenne and treatments to-date are largely palliative or partially effective. It is an orphan disease of enormous medical need for new therapeutic approaches which have the potential to improve the quality and duration of life.

The Rudnicki Lab was first to identify, in a landmark publication in Nature Medicine that, in Duchenne, the process by which stem cells enable ongoing muscle repair and regeneration is dramatically reduced (Source: Dumont et al. 2015, Nature Medicine.). As a result, we believe that the bodies of Duchenne patients are unable to keep up with the continuous damage to their muscles throughout life induced by the most basic physiological activities involving muscle contractions and relaxation. Examples of such activities include: standing, walking, lifting, climbing stairs, raising an arm to dress or feed oneself, clenching a mouse to operate a computer, and breathing. All such routine movements initiate a cycle of skeletal muscle repair and regeneration which originates from muscle stem cells. Fundamentally, Dr. Rudnicki's findings suggest to us that stem cell dysfunction is a mechanistic root cause of the progressive nature of Duchenne which had not before been understood or appreciated.

Satellos has generated proof of concept ("**POC**") experimental data in the *Mdx* mouse, a gold standard research model bearing the same genetic defect as patients with Duchenne, demonstrating that treatment of these research mice has potential to restore the process by which stem cells enable ongoing muscle regeneration. The Company's programs in Duchenne are described below.

PTPX Program in Duchenne

In the *Mdx* mouse, treatment with "SAT-732", one of the Company's early-generation, discovery stage small molecule drug structures which was designed to inhibit an enzyme target code-named "**PTPX"** for reasons of confidentiality, restored muscle regeneration capacity and muscle strength to near normal levels. The Company's medicinal chemistry team then invented additional small molecule drug structures as possible development candidates subsequent to its POC studies with SAT-732 in an attempt to identify a lead development candidate suitable for use in humans. During the second and third quarters of 2022 Satellos generated and assessed the potential for a subset of these compounds to have improved drug development characteristics including absorption, distribution, metabolism and excretion ("**ADME**"), pharmacokinetics ("**PK**") and potency. Following review of the data in its model systems, the Company has determined that – while considerable progress had been made -- these new compounds or modified versions of SAT-732 were unlikely to provide the desired profile for use in humans within the desired time horizon. However, in parallel, the Company had identified and advanced a separate program in Duchenne which is described in the section below titled "K9 Program in Duchenne" with the potential to outpace and exceed the PTPX Program. **Consequently, the Company decided to deprioritize – but not abandon as we believe the pathway and target continue to have potential merit in treating muscle degeneration conditions -- SAT-732 and the PTP-X program**. We plan to revisit resource investment in this program when conditions permit.

K9 Program in Duchenne

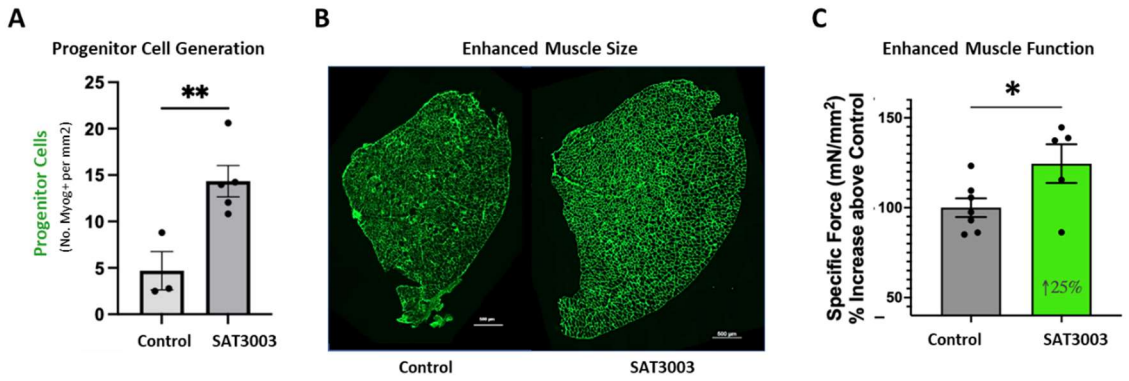
As described in the Company's earlier MD&A reports during 2022, deploying its proprietary MyoReGenX™ discovery platform, Satellos pursued a systematic, siRNA-based interrogation of biochemical signalling pathways known from the literature or suggested by the Company's endeavours to be involved in regenerative processes. Through this effort, the Company identified, analyzed and ranked several biochemical signalling pathways in terms of their potential to modulate muscle stem cells and restore regeneration. Further, the Company filed for intellectual property protection on what it considers its highest priority discoveries. One particular biochemical signalling pathway, referred to familiarly in the field as "Notch", was nominated internally as an attractive candidate pathway to be modulated for the purpose of restoring muscle stem cell polarity and muscle regeneration based on the Company's assessment of its therapeutic potential. The Notch biochemical signalling pathway has previously been associated with muscle regeneration as published in the journal *Cell* in 2015 by Vieira et al in a paper titled "Jagged 1 Rescues the Duchenne Muscular Dystrophy Phenotype". The authors associated Jagged 1, a ligand (or binder/activator) of Notch signalling, with the process of regeneration and as explaining how two (2) Golden Retriever Muscular Dystrophy dogs were able to escape the Duchenne phenotype and live a normal life. Yet, how this alleged regeneration occurred was neither conclusively elucidated by the authors nor did it appear to be well understood at the time or subsequently in the scientific literature. Now however, the Company believes it may have uncovered a previously unrecognized mechanism driving regeneration via the Notch pathway through one specific protein kinase in the pathway which Satellos has codenamed "**K9**" for reasons of confidentiality.

From preliminary experimental work by the Company, in which K9 was inhibited using genetic means, we hypothesize that inhibition of K9 has the potential to modulate Notch signalling in muscle stem cells to

restore asymmetric divisions, muscle stem cell polarity and regeneration of skeletal muscle in a similar, and potentially superior, manner to that occurring by the inhibition of PTPX. Of potential value for de-risking and possibly accelerating development of K9 inhibitors, the target is known in the pharmaceutical industry where, in an entirely unrelated disease setting (i.e., not associated with muscle or regeneration), it has been targeted using a small molecule and has been studied in two Phase 1 and two Phase 2 clinical trials spanning hundreds of patients.

Based on these findings, the Company launched a drug discovery effort to identify and synthesize known small molecule inhibitors of K9 which it could use to inform its in-house drug discovery and development efforts with a particular emphasis on generating POC data it could use to confirm its hypothesis and use as a benchmark for its own, proprietary drug candidates. Treating *Mdx* mice with the **reference compound (i.e., not a compound owned or controlled by Satellos),** which the Company named SAT-3003 solely for the purposes of confidentiality and internal tracking purposes, produced similar results as previously seen with SAT-732 though in a shorter time frame of only two (2) weeks vs four (4). Effects on progenitor generation, muscle size and muscle function are shown in Figure 1 below.

Figure 1: SAT-3003 (i.e., reference compound) Exemplar Efficacy Data.



Panel A: Resulting changes in Mdx tibialis anterior (limb) muscle. Statistically significant increase in progenitor cells as measured by Myogenin expression after treatment with SAT-3003 vs placebo control. **Panel B**: Representative images of Mdx Tibialis anterior muscle showing statistically increased muscle fiber area after treatment with SAT-3003 vs placebo control. **Panel C**: Resulting changes in Mdx tibialis anterior muscle specific force generation. Muscles from mice treated with SAT-3003 vs placebo generate more force per unit area, indicative of healthy and functional muscle tissue.

In parallel to the POC studies with the third-party reference compound named SAT-3003, Satellos applied artificial intelligence ("**AI**") tools and incorporated data generated therefrom into its existing drug discovery infrastructure to inform its drug discovery strategy of identifying novel chemical matter as quickly as possible. This effort has yielded three distinct chemical scaffolds which the Company believes are novel and suitable for yielding proprietary drug candidates which have potential to meet its TPP (described below in Table 1). Further, the Company has designed, synthesized, tested and prioritized hundreds of compounds from this effort. As a result of this progress coupled with the overall similarity of POC results to inhibition of PTP-X, the overall attractiveness of K9 as a potentially safe and known drug target, and the number of novel compounds identified by the Company's discovery team, Satellos elected to prioritize the K9 drug development initiative over its PTP-X initiative. On January 3, 2023, Satellos nominated SAT-3153 as its pre-IND development lead. The Company believes SAT-3153 meets the primary characteristics of its TPP (Table 1 below) and has the potential to be developed to treat Duchenne patients. Upon selection of its DC, the Company initiated plans to request consultative meetings to discuss and seek input on its plans for preparing IND and Clinical Trial Application ("**CTA**") submissions with the FDA and Health Canada,

respectively. As is customary in the industry, Satellos aims to first demonstrate the safety and potential efficacy for treating Duchenne patients in early clinical trials (i.e., Phase I/II).

Table 1. Target Product Profile.

Label Category	Target Product Profile
Product Description	Systemically administered, small molecule inhibitor of K9
Pharmacology	Short half life, limited access to the CNS, appropriate kinase selectivity
Clinical Indication	Duchenne Muscular Dystrophy (DMD) Initial clinical trial in non-ambulatory DMD patients
Dosage and Formulation	100 mg capsule or tablet for oral administration
Dose Regimen	One capsule/tablet a day dosing for life of the patient
Efficacy	Enhanced muscle repair and regeneration assessed by muscle MRI (fat content/fibrosis and muscle area), PD markers and muscle function measures
Side Effects	No serious adverse events with repeat administration

Note: The above TPP is subject to change and may not represent the final attributes that Satellos intends to achieve or results actually achieved during the development of its drug candidate/s.

Potential Competitive Differentiation

The Company believes its POC with SAT-732 and subsequent research results related to modulation of K9 with a reference molecule demonstrate the potential for its treatment approach to be disease-modifying in Duchenne, as we have shown: (i) muscle stem cell driven regeneration can be stimulated by small molecule treatment and (ii) restoring the regenerative capacity of muscle stem cells can have functional benefit. The potential for the Company's small molecule treatment approach to be disease-modifying would make it unique, in management's view. As yet, no treatment approach for Duchenne has demonstrated long-lasting disease-modifying potential. Corticosteroids, the standard of care in the treatment of Duchenne, reduce inflammation and help to prolong ambulation in young children by an average of two to three years. In recent years, gene correction therapies have promised hope for more substantive benefits. In these approaches, the intention is either: (i) to replace a subset of the coding regions of the dystrophin gene, known as "gene therapy", or, (ii) in a process referred to as "exon skipping", to skip over the mutated exon/s, so a partial dystrophin protein can be produced in muscle. Exon skipping products such as Exondys 51, Vyondys 53 and Viltepso, have been approved for sale, based on surrogate markers of efficacy within the Accelerated Approval Program of the FDA. None has yet completed the FDA-required confirmatory studies and therefore, the degree of clinical benefit of these therapies has not yet been robustly demonstrated. Gene therapy, now in clinical development with several companies testing their product candidates, has shown limited benefit while experiencing significant safety challenges.

The Company's approach is distinct in another manner. No current treatment approaches in clinical development of which we are aware, including gene correction or replacement technologies, are specifically designed to directly affect the function of in situ muscle stem cells (i.e., those already existing inside the body) to restore the body's innate regenerative process. Rather, other approaches generally target mature muscle tissue. Inherently, they are unlikely to be effective in addressing the intrinsic deficiency that we believe to be a mechanistic root cause of Duchenne, namely: a regenerative deficit that occurs as a result of a breakdown in the process by which muscle stem cells divide to enable repair and regeneration. This is the deficiency which we believe is the principal contributor to the progressive and increasingly debilitating muscle loss experienced by people living with Duchenne. Satellos, by contrast, is attempting, with its drug candidates, to restore this intrinsic muscle stem cell division process in the bodies of Duchenne patients in

order to enable self-repair and regeneration of functional muscle. The Company believes its therapeutic approach has the potential to be disease modifying for Duchenne patients.

As further support for the Company's contention that stem cell driven regeneration has the potential to be disease modifying, recently published findings from the Duchenne research community (Source: Flanigan et al. 2021 (Nationwide/The Ohio State) medRxiv – preprint) provide what we believe is objective evidence for this hypothesis in humans. A team of Duchenne physicians and researchers led by Dr. Kevin Flanigan – bearing no association to Satellos or Dr. Rudnicki – conducted a genetic analysis of a large cohort of Duchenne patients -- some of whom maintained ambulation for a decade or longer than the majority of their peers – in an attempt to identify genetic factors which might explain this phenomenon. After describing several factors, one was hypothesized to have the ability to affect polarity and alter the regulation of muscle stem cell regeneration capacity in a similar fashion as the approach intended by the small molecule drugs that Satellos is developing. The Company views these findings as independent, third-party evidence in humans which corroborates the Company's views on: (i) the importance of muscle stem cells in regeneration; (ii) the potential for functional impact and modification of disease course through a restoration of regenerative capacity; and (iii) the fact that humans can generate functional muscle in the complete absence of the dystrophin protein.

II. Exclusivity Development Strategy

As a developer of therapeutics to treat rare diseases, Satellos is eligible, and may apply for specific US government sponsored development programs that have potential in certain circumstances to accelerate approval timelines and enhance market exclusivity. If awarded, these programs can be of great value to the recipient parties. These programs include (but may not be limited to):

(1) Orphan Drug Designation

The FDA's Orphan Drug Designation program provides status to drugs which are defined as those intended for the treatment, prevention or diagnosis of a rare disease or condition, such as Duchenne. Benefits for drugs that are bestowed 'orphan status' may include tax credits on clinical testing, waiving of the new drug application ("**NDA**") user fee, and eligibility for a seven-year market exclusivity upon approval of the drug. Orphan Drug Designation applications are often submitted alongside applications for the FDA's Rare Pediatric Disease Designations. The Company plans to submit an application for this designation upon nomination of a clinical candidate. Notification of decisions must be made within 90 days of application submission.

(2) Rare Pediatric Disease Designation

As a developer of a therapeutic for Duchenne, a rare pediatric disease, Satellos is eligible and intends to apply for Rare Pediatric Disease Designation. Benefits for this designation include the potential for receiving a priority review voucher that is awarded after approval of the drug. This priority review voucher can be utilized to reduce the review process timeframe for a separate future drug development program. There is also an aftermarket for these vouchers which have been monetized for substantial sums. The Company plans to submit an application for this designation upon nomination of a clinical candidate. Notification of decisions must be made within 60 days of application submission when issued alongside an Orphan Drug Designation request.

(3) Accelerated Approval

The FDA instituted its Accelerated Approval Program to allow for earlier approval of drugs that treat serious conditions, and that fill an unmet medical need, based on a surrogate endpoint. A surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign or other measure that is thought to predict clinical benefit but, is not itself a measure of clinical benefit. The use of a surrogate endpoint can considerably shorten the time required prior to receiving FDA approval. It is unknown at this time whether the Company will be eligible for accelerated approval.

Drug companies are still required to conduct studies to confirm the anticipated clinical benefit. These studies are known as phase 4 confirmatory trials. If the confirmatory trial shows that the drug actually provides a clinical benefit, then the FDA grants traditional approval for the drug. If the confirmatory trial does not show that the drug provides clinical benefit, FDA has regulatory procedures in place that could lead to removing the drug from the market.

III. Follow-on and Additional Muscle Programs

Follow-on Program: There are more than 30 types of muscular dystrophy that affect humans. Each of these dystrophies has different causes that manifest into conditions that range across the entire spectrum of severity from benign, small impairments to motor function, through to full loss of ambulation and even death. Satellos is particularly interested in a subset of dystrophies associated with a multiprotein complex expressed in muscle and other tissues known as the Dystrophin-associated Glycoprotein Complex. Satellos has prioritized several of these dystrophies where we believe our mechanism of action may provide a therapeutic benefit to patients. Satellos believes some of these dystrophies may have potential as indication (i.e., use) expansion and market growth opportunities.

As part of its plan to explore the potential for its drug candidates in other dystrophic conditions, Satellos entered into a research collaboration with the Université de Sherbrooke ("**UdeS**") with a start date of January 3, 2022. Under the collaboration, the parties will assess Satellos' candidate drug molecules in disease models of rare or ultra-rare dystrophies which are believed to display signs of muscle regeneration failure, including: Lama-2 Related Muscular Dystrophy (prevalence estimates between 1 in 50,000 and 1 in 400,000 births) and Collagen-VI Related Muscular Dystrophy (prevalence of severe form of the disease estimated to be 1 in 1,000,000 births). Both disease indications are highly underserved. During the period from Q2 2022 to Q4 2022 the research team at UdeS generated initial POC that modulation of polarity in a disease model of Lama-2 Related Muscular Dystrophy showed a positive effect on asymmetric stem cell divisions, muscle regeneration and muscle force. The Company believes this milestone has been achieved.

Additional, 2nd Drug Development Program: Satellos has licensed intellectual property from OHRI related to compositions and methods of use of a naturally occurring protein called 'Wnt7a'. Research has demonstrated that administration of Wnt7a protein to muscle stem cells has potential to regulate symmetric stem cell division, the inverse of what we are attempting to accomplish in Duchenne. Stimulation of muscle stem cell symmetric expansion serves to expand the resident pool of muscle stem cells and may be effective as a treatment approach in muscle loss due to aging, known as sarcopenia, or situations of muscle disuse/atrophy due to injury or trauma. These represent areas of unmet medical need.

More recently, based on additional research and development activities, Satellos identified a further biochemical pathway and protein target (together, we are calling this 'Project Gamma') with the potential to be modulated by small molecule drugs to affect symmetric muscle stem cell divisions. The Company believes its work in this area is non-obvious and represents the potential for new intellectual property protection.

IV. Research & Development Milestones and Progress Update

Coincident with completion of the Arrangement on August 13th, 2021, Satellos identified six (6) scientific and development milestones (the "**R&D Milestones**") which it committed to pursuing over the ensuing 12-month period (i.e., through to the middle of August 2022), as summarized in Table 1 below. The Company believes it has made further progress towards the achievement of the R&D Milestones during 2022. The R&D Milestones are as follows:

(1) Complete drug discovery activities and nominate one drug candidate, which meets its target product profile and is ready to start IND enabling preclinical studies, as the DC;

(2) Schedule and hold a pre-IND meeting with the FDA, file for Orphan and Rare Pediatric Drug designations, and initiate IND enabling studies;

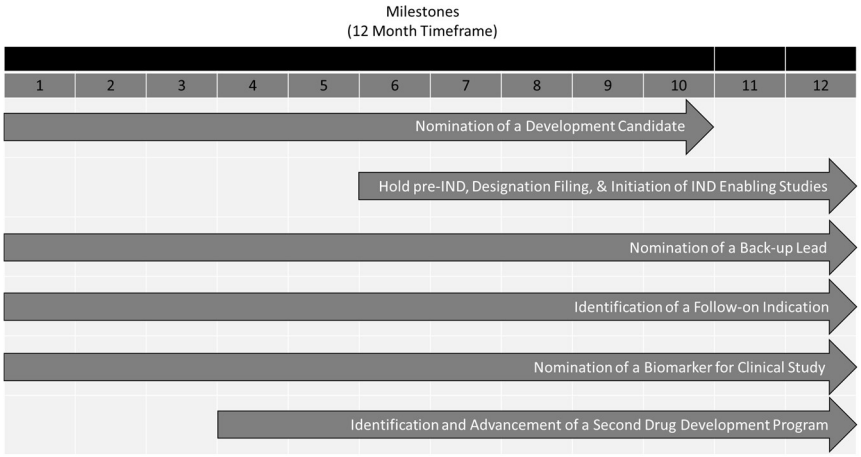
(3) Develop and select a back-up series of chemical structures and designate one or more back-up drug candidates in the event of unforeseen development challenges (the "**Back-up Lead**");

(4) Identify and generate data which supports a second or follow-on disease indication that has potential to expand the market opportunity for the DC beyond Duchenne;

(5) Validate a surrogate biomarker which is indicative of the potential effect in humans and which can be used to accelerate clinical development; and

(6) Establish a second drug development program for enhancing the regenerative capacity and performance of muscle.

Table 1: 12-month Research & Development Milestones
(NB., timeline commenced August 13, 2021)



The Company believes it made meaningful progress throughout 2022 towards the achievement of its updated R&D Milestones. A discussion and progress update as at December 31, 2022 for each milestone is provided immediately below:

1) Nomination of a DC

As noted in earlier sections of this MD&A, on January 3, 2023, the Company nominated SAT-3153 as its pre-IND lead development candidate (the "**DC**") and plans to advance this compound throughout 2023 to the filing of an IND application. SAT-3153 is an inhibitor of K9. With this development, the Company believes it has satisfied this milestone.

2) FDA Meeting, Drug Designation filings and Initiation of IND enabling studies

Satellos is developing its strategy for submitting an IND application with the FDA and subsequent conduct of clinical trials with its drug candidates. As part of its planning and preparations, Satellos has engaged a former FDA reviewer with specific expertise in areas of relevance to products the Company is attempting to develop and has sought input broadly from individuals and groups with clinical trial expertise in Duchenne. The Company had plans to open a dialogue with the FDA after selecting its DC in the second half of 2022. With the nomination of SAT-3153 as DC, Satellos is preparing a request for a pre-IND meeting with the FDA and expects this to occur in the first half of 2023. While somewhat later than originally projected, the Company does not believe its overall timeline to be in position to prepare an IND filing by the end of 2023 is being compromised.

The Company also plans to file applications to pursue Orphan and Rare Pediatric Drug designations on SAT-3153 during 2023.

3) Nomination of a Back-up Lead

To de-risk the lead drug development program in Duchenne, the Company will aim to nominate a Back-up Lead series to be developed in the event of an unforeseen challenge that arises during development of our lead chemistry program. As noted elsewhere in this document, the Company has identified several chemical series of compounds from which it expects to be able to identify a Back-up Lead. Further, as noted two paragraphs above, the Company has created the potential for a second route that may act as a back-up. The Company is evaluating numerous potential compounds as a Back-up Lead to SAT-3153.

4) Identification of a Disease Expansion Indication

As noted, Satellos entered into the UdeS Agreement with the express purpose of evaluating additional dystrophic conditions which may be amenable to treatment with the Company's drug candidates. During the period from Q2 2022 to Q4 2022 the research team at UdeS generated initial POC that modulation of polarity in a disease model of Lama-2 Related Muscular Dystrophy showed a positive effect on asymmetric stem cell divisions, muscle regeneration and muscle force. The Company believes this milestone has been achieved.

5) Nomination of a biomarker for clinical development

Satellos is developing a strong body of preclinical evidence in support of the use of a muscle expressed biomarker as an indicator of functional regeneration that may correlate with a positive impact on muscle function. The Company is evaluating a series of prospective mRNA and protein-based biomarkers that were previously identified by Satellos in both in vitro and in vivo assays, with the goal of correlating biomarker levels with functional improvements in muscle regeneration and function. The Company plans to incorporate biomarker measurement/s in its clinical trial program with the ultimate goal of investigating

its/their potential utility as a surrogate marker of effect. Surrogate markers can be used as the basis for drug approval prior to demonstrating an effect on a known, orthodox clinical indicator of response (dystrophin has been used as a surrogate marker in the approval of exon skipping agents in Duchenne). During 2022, the Company further characterized potential candidate biomarkers.

6) Advancing and Identifying a Second Drug Development Program

Through its collaboration with the OHRI, Satellos identified a novel enzyme target that when modulated, affords robust regulation of muscle stem cell mediated regeneration. During 2022, the Company has made considerable progress in confirming the "druggability" of this enzyme target, codenamed K9, identified three (3) novel chemical series of compounds, evaluated dozens of individual compounds and nominated SAT-3153 as a pre-IND lead drug candidate. This program has superseded the PTP-X program. Satellos has now moved to evaluating a number of new disease situations in collaboration with philanthropic organizations, to minimize cost and resource distraction, to identify a second program during 2023.

V. Research & Development Activities Planned for 2023

1) Discovery Research & Development

During 2023, as the Company's focus shifts to the preclinical development of SAT-3153 largely as described in activities 2 – 5 described below, its in-house R&D situated at the OHRI under the direction of the CSO and working through the SRA (described under the section titled "Outsourced R&D Agreements") will focus on establishing further mechanistic support for K9 as well as assessing and validating additional drug targets and degenerative muscle disease indications, and generating new IP. This program will operate continuously throughout 2023.

2) SAT-3153 Preclinical Profiling and Nomination of a Back-up Drug Candidate

The Company plans to undertake a range of larger-scale and longer-duration in vivo studies to: establish oral dosing parameters for SAT-3153, guide clinical development, profile the effects of SAT-3153 under different treatment regimes and in comparison to other treatment approaches, and build a body of competitive information. Much of this program will be conducted with CROs who specialize in Duchenne preclinical studies. In addition, ongoing activities to advance chemistry, test and nominate a back-up DC will continue. We anticipate this body of work to take approximately nine (9) months commencing in Q2, 2023.

3) Pre-IND Studies and Regulatory Documentation

Conducting requisite non-GLP and GLP dose ranging and in vitro and in vivo safety studies to support clinical trial development and be included in the IND/CTA applications. The Company's plan is to commence this body of work during the second half of 2023.

4) CMC Development and GMP Manufacturing of SAT-3153

(i) Conduct/compilation of prescribed studies and information related to the components, analysis and use of SAT-3153 in a Phase 1 clinical trial/s which will be included in the Chemistry, Manufacturing and Controls (CMC) section of the IND/CTA applications to be submitted to the FDA and Health Canada. (ii) Good Manufacturing Practice (GMP) methods and protocol development, and GMP manufacturing of

SAT-3153 drug substance to be used in Phase I clinical trials. Th Company intends to commence this body of work during the first half of 2023.

5) Pediatric Toxicology

Conducting non-clinical studies for the safety assessment of SAT-3153 for use in juvenile patients, such as might be the case in treating Duchenne. Regulatory bodies recognize that, as juveniles are continuously developing, safety studies directed to adult population may not be sufficient for determining the safety of a drug candidate in juvenile populations, such as Duchenne patients. This body of work typically ranges from 4-6 months.

The iCo Portfolio

Through its business combination with iCo the Company acquired the iCo Portfolio. It is uncertain what future value will be realized from the iCo Portfolio. There are two technologies within the iCo Portfolio, as described below.

I. Oral Amp B Delivery System

The Oral Amp B Delivery System, a patented oral transport technology trade-marked OralTrans™, is one of the two technologies in the iCo Portfolio. It was intended to enable the formulation and development of an oral, safer and more tolerable formulation of Amphotericin B, a potent but toxic antifungal agent (Amphotericin B formulated using the Oral Amp B Delivery System has been described in previous iCo disclosures as iCo-019). Development began originally at the University of British Columbia ("**UBC**") and was exclusively licensed to iCo in 2008 (the "**UBC License Agreement**").

iCo completed several pre-clinical studies with iCo-019 and obtained Orphan Drug Status from the FDA for the treatment of visceral leishmaniasis, a parasitic infection known for its high mortality rates. In 2018 and 2019, iCo conducted Phase I single and multiple ascending drug dose clinical trials to assess the safety, tolerability, bioavailability and pharmacokinetics of iCo-019 in healthy subjects. iCo-019 met its primary safety endpoints, was well tolerated with no serious adverse events and showed promising pharmacokinetic properties. Notwithstanding these prior preclinical and clinical trial results, iCo was not successful in attracting funding to continue the development of this program. The Company believes that the likelihood of attracting commercial interest in iCo-019 is minimal. Further, it is the Company's view that the most viable – though not certain – route to advancing iCo-019 into clinical development is through grant funding and/or partnerships with non-government organizations or funding bodies with a passionate interest in the area of neglected diseases. The Company has pursued these potential initiatives in collaboration with Dr. Kishor Wasan.

Amphotericin B Technologies Inc. ("**Amp B Tech**") was established as a wholly owned subsidiary of the Company as part of a renewed strategy to create value and attract partnerships and/or funding while minimizing diversion of the managerial and financial resources of Satellos and detracting from its focus on the Satellos Portfolio. The UBC License Agreement was assigned to Amp B Tech with the consent of UBC.

In a press release on August 18, 2021, Satellos announced that Amp B Tech had entered into its first partnership initiative by way of a Joint Development Agreement (the "**JDA**") with NW PharmaTech Limited ("**NW PharmaTech**"). The purpose of the JDA is to collaborate on the development of an oral formulation of cannabidiol to be targeted at the global market as an over-the-counter sleep aid. Under the agreement, NW PharmaTech provided an up-front payment of $25,000 to iCo Therapeutics Inc. prior to the closing of the Arrangement to partially fund costs of developing the formulation and testing for safety,

toxicity and pharmacokinetics. Effective February 4, 2022, pursuant to the JDA, Satellos and the University of Toronto ("**UT**") entered into a Sponsored Research and Collaboration Agreement to develop Amp B Tech's formulation technology for cannabidiol-based sleep aid products (the "**UT SRA**"). During 2022, NW PharmaTech or NWMT (defined below) paid $126,014 to Satellos to fund the UT SRA, and a further $42,008 was provided to the Company, and paid to UT, in Q1 2023. These payments were a reimbursement of funds paid to U, and so these amounts are not included in the Company's income or expenses.

On October 6, 2022 Amp B Tech and NW PharmaTech established a company, NW Micelle Therapeutics Inc. ("**NWMT**"), for the purpose of developing an oral formulation of cannabidiol using OralTrans™ technology for the treatment of insomnia and other indications in the mental health sphere ("**Oral CBD**"). NW PharmaTech will provide the funding required for the development of Oral CBD, already underway at the University of Toronto. Amp B Tech licensed certain rights in OralTrans™ to NWMT for use in developing Oral CBD. NW PharmaTech holds 85% of the shares in NWMT and Amp B Tech holds 15%. Amp B Tech is entitled to a seat on the board of NWMT and received certain anti-dilution protections. NW PharmaTech Ltd. obtained a call option to acquire Amp B Tech from Satellos for US$3,000,000 while Satellos received a put option to trigger a sale of Amp B Tech to NWPT, also for US$3,000,000. NWMT has agreed to reimburse Satellos for all remaining amounts due and payable to UT under the UT SRA, and Satellos has granted all of its right under the UT SRA to NWMT.

II. Bertilimumab

The second technology in the iCo Portfolio is Bertilimumab (also known as "**Bert**" or "**iCo-008**"), a human monoclonal antibody originally discovered by Cambridge Antibody Technology Limited ("**CAT**"). Patents on Bertilimumab have expired. Pursuant to the Arrangement, the Company obtained exclusive intellectual property, research, commercial development and sub-licensing rights to Bertilimumab under a licensing agreement dated December 20, 2006 between iCo and CAT (the "**CAT License**"). CAT was subsequently acquired by and folded into Medimmune, Inc. ("**Medimmune**"), which is now part of AstraZeneca, plc. ("**AstraZeneca**"). Prior disclosure by the Company and iCo referred to the CAT License as the "Medimmune License".

iCo sublicensed the commercial development rights to Bertilimumab for all disease indications outside of the ocular field to Immune Pharmaceuticals Ltd. through a product sublicense agreement dated December 7, 2010 (the "**Bertilimumab Sublicense**"). Subsequently Alexion Pharma International Operations Limited ("**Alexion**") obtained the rights and obligations to the Bertilimumab Sublicense. On October 7, 2022, Alexion notified the Company that it was terminating the Bertilimumab Sublicense as of November 7, 2022. The Company is exploring monetization options for this antibody product. However, there is no certainty that material, or any, value remains and can be realized in this antibody product given the lack of development activity over the past several years and expiry of its patent estate.

Wholly-owned Subsidiaries

Amphotericin B Technologies Inc.

Amp B Tech was incorporated in January 2021 under the laws of the Province of British Columbia. William Jarosz, Executive Director of Satellos, serves as the Chair and CEO of Amp B Tech.

iCo Therapeutics Australia Pty Ltd.

iCo Therapeutics Australia Pty Ltd. was incorporated under the laws of Australia by iCo to facilitate the conduct of clinical trials in Australia. Australian clinical sites may be used in the future as is appropriate.

License Agreements

Ottawa Hospital Research Institute

Effective May 1, 2018, Pre-Arrangement Satellos and OHRI entered into the OHRI License agreement whereby OHRI granted Pre-Arrangement Satellos an exclusive, world-wide, sublicensable, royalty bearing right and license to a body of technology and patents comprised of five patent families to develop, make, have made, import, use, offer for sale, sell and have sold or otherwise commercialize licensed products. The OHRI License contains provisions describing a process for the ongoing disclosure and potential licensing to Satellos of new discoveries or inventions which may occur at OHRI and which may have relevance to the field in which the Company operates as it is defined in the OHRI License.

On June 29, 2022 OHRI and Satellos executed an amendment to the OHRI License under which an additional patent family generated by the Rudnicki Lab, covering the K-9 target discovery and use of potential inhibitors thereof [titled 'Modulation of satellite cell polarity and asymmetric cell division' (patents/applications derived from 63/345/678)], was added to the OHRI License. Concurrently, a patent family deemed of no further value to Satellos was returned to OHRI ['Novel stem cells, nucleotide sequences and proteins therefrom' (patent/applications derived from PCT/CA2006001907)].

University of British Columbia

On July 27, 2007, iCo entered into an option agreement with UBC which granted an option to negotiate a license for the exclusive rights to the Oral Amp B Delivery System to be used for potential systemic fungal infections. iCo exercised the option on February 26, 2008 and on May 6, 2008 signed the UBC License Agreement. In consideration for the UBC License Agreement, iCo paid UBC an initial license fee of $20,000 and is required to pay annual fees to UBC for maintaining the license until such time as an NDA for the Oral Amp B Delivery System is approved by the FDA or other regulatory body. The Company is required to make additional contingent payments of up to $1,850,000 in aggregate upon the achievement of certain development and commercialization milestones and is also required to pay royalties contingent on future revenues.

Université de Sherbrooke

Effective January 3, 2022, Satellos and UdeS entered a scientific research agreement (the "**UdeS Agreement**") to collaborate to identify additional disease indications for the Company's novel muscle regeneration technology in selected preclinical models.

University of Toronto

Effective February 4, 2022, Satellos and UT entered into the UT SRA to apply its formulation technology to cannabidiol-based sleep aid products.

AstraZeneca PLC

Following a series of corporate mergers and acquisitions since 2006, the assets licensed under the CAT License are owned by AstraZeneca. Should the Company advance Bertilimumab into clinical development, it may be required to make additional contingent payments and to pay royalties to AstraZeneca upon the achievement of certain development and commercialization milestones. Please refer to the section titled "*II. Bertilimumab*" on page 18 above.

Outsourced R&D Agreements

To optimize the development of our product candidates, the Company outsources certain of our product development activities. Factors that we consider in determining which activities to outsource include cost, relative expertise, capacity, data integrity and quality assurance.

WuXi AppTec (Hong Kong) Limited ("WuXi AppTec"), formerly HD Bioscience Co., Limited

Satellos has entered into contractual arrangements with WuXi AppTec under which, in exchange for payments made, WuXi AppTec performs various critical drug development activities at the behest of Satellos. Under the guidance of Satellos, WuXi AppTec performs chemical synthesis, evaluates biochemical and cell-based activity, as well as establishes pharmacokinetic profiles of all our newly synthesized chemical matter.

Wuxi Biortus Biosciences Co., Limited

Satellos has entered into a contractual arrangement with Wuxi Biortus Biosciences Co., Limited under which, in exchange for payments made, Wuxi Biortus Biosciences Co., Limited performs activities related to the generation of a protein crystal structure of our drug target, as well as various biophysical experiments related to the evaluation of drug-target binding. These experiments aim to develop an understanding of how our compounds interact with our drug target for the purposes of compound structure refinement towards a potent and selective drug-like molecule with known target binding properties.

Ottawa Hospital Research Institute

Effective May 1, 2018, Pre-Arrangement Satellos and OHRI entered into a sponsored research agreement, during the term of which OHRI has agreed to carry out specific research and development activities according to a prescribed statement of work, as may be amended from time to time, under the direction of the Company's co-founder, Dr. Michael A. Rudnicki (the "**OHRI SRA**"). Under the OHRI SRA, Dr. Rudnicki leads a dedicated R&D team who are engaged solely to execute the agreed R&D program of Satellos, under his direction and as defined in the statement of work.

Université de Sherbrooke

Effective January 3, 2022, Satellos and UdeS entered into the UdeS Agreement to collaborate to identify additional disease indications for the Company's novel muscle regeneration technology in selected preclinical models.

University of Toronto

Effective February 4, 2022, Satellos and UT entered into the UT SRA to apply its formulation technology to the development of cannabidiol-based sleep aid products.

COVID-19

The Company's R&D efforts have been affected by the evolving situation related to COVID-19. OHRI was closed for a period of time in 2020, and upon re-opening has been operating with additional safety protocols in place to address pandemic risks, which has affected the pace of the research and development work OHRI has been providing to Satellos. This was taken into account in a reduction of the rates charged to Satellos by OHRI in 2020. The pandemic continues to affect contractors who provide services to Satellos, including during 2022, which has introduced some delays in the Company's development timelines. As of the date hereof this has not had a material effect on the Company's programs though, as the effects of COVID-19 are changing rapidly and the overall consequences cannot be reasonably estimated at this time, material adverse effects on the Company's business and cashflows could occur. The Company is pursuing contingency plans in order to mitigate the risks of delayed progress from potential COVID-19 related work delays or interruptions with contractors.

REVIEW OF FINANCIAL RESULTS

The financial information reported herein was derived from the audited annual consolidated financial statements (prepared in accordance with IFRS). Satellos' functional and presentation currency is the Canadian dollar. From time to time, the Company may deal with several contract research organizations, consultants and suppliers in other countries (primarily the United States and China; our suppliers in China are generally paid in US dollars). Our financial results may be subject to fluctuations between the Canadian dollar and other international currencies, primarily the US dollar.

Selected Consolidated Statement of Operations Information

	Three Months to December 31, 2022	Three Months to December 31, 2021	Year to December 31, 2022	Year to December 31, 2021
Total Revenue	nil	nil	nil	nil
Grant Income	nil	nil	nil	66,258
Interest Income	13,175	4,757	20,630	7,986
Investment Income	42,405	nil	42,405	nil
Gain(Loss) on Derivatives	2,982	nil	2,982	nil
R&D Expenses	662,424	716,205	2,586,590	2,003,613
Refundable tax credits	nil	nil	16,431	(42,408)
R&D Expenses net of refundable tax credits	662,424	716,205	2,603,021	1,961,205
Management Fees and Salaries	783,523	430,229	2,058,889	1,154,831
Professional Fees	444,531	246,192	1,590,941	450,108
Interest Expense	nil	nil	nil	51,135
Financing Costs	nil	90,871	nil	934,197
General & Administrative	111,860	123,834	816,127	269,330
Stock-based Compensation	249,132	522,153	1,439,757	971,532
Impairment of Intangible Asset	2,885,542	nil	2,885,542	nil
Listing Expense	nil	nil	nil	9,789,002
Net Loss, Comprehensive Loss [1]	(5,078,450)	(2,124,727)	(11,328,260)	(15,507,096)
Net Loss Per Share – Basic and Diluted [2,3]	(0.12)	(0.06)	(0.32)	(0.64)

Notes:

(1) Loss from operations are equivalent to comprehensive loss; all losses are from continuing operations; and all losses are attributable to the owners of the Company.

(2) Weighted average number of shares has been restated to reflect the exchange of Pre-Arrangement Satellos shares for iCo Shares and the 20:1 consolidation under the Arrangement – see Note 1.3 to the audited annual consolidated financial statements.

(3) Basic and diluted loss per share is calculated by dividing Net Loss, Comprehensive Loss for the period attributable to the Company by the weighted average number of common shares outstanding and the dilutive effect of outstanding warrants and options during the period. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and, therefore, they have been excluded from the calculation of diluted loss per share.

Selected Balance Sheet Information

	Year ended December 31, 2022	Year ended December 31, 2021
Total Assets	6,198,644	12,586,122
Cash and Cash Equivalents	1,923,536	4,871,263
Total Current Assets	2,232,512	5,442,875
Total Current Liabilities	2,830,124	2,104,011
Net Working Capital	(597,612)	3,338,864
Shareholders Equity	3,368,520	10,482,111
Number of Common shares (non-diluted) at period-end	41,797,613	32,997,613

Discussion

Grant income was $nil for the quarter ended December 31, 2022, compared to $nil for the quarter ended December 31, 2021. Grant income was $nil for the year ended December 31, 2022, compared to $66,258 for the year ended December 31, 2021. Grant income for the year ended December 31, 2021 was provided by the National Research Council Canada Innovation Assistance Program ($16,258) and by The Foundation for Gene & Cell Therapy – Jesse's Journey ($50,000).

Interest income was $13,175 for the quarter ended December 31, 2022, compared to $4,757 for the quarter ended December 31, 2021. Interest income was $20,630 for the year ended December 31, 2022, compared to $7,986 for the year ended December 31, 2021. The increase in interest income in 2022 was due to (a) a higher cash equivalents balance following the closing of the Unit Financing in September 2022, and (b) higher rates available on guaranteed investment certificates in 2022.

Investment income was $42,405 for the quarter ended December 31, 2022, compared to $nil for the quarter ended December 31, 2021. Income on the Acquisition of NWMT Shares was $42,405 for the year ended December 31, 2022, compared to $nil for the year ended December 31, 2021. Investment income was the shares in NWMT received in consideration of the sublicensing agreement entered into with NWMT - see *Sublicensing Transaction, Put and Call Options* below.

Gain(Loss) on derivatives was $2,982 for the quarter ended December 31, 2022, compared to $nil for the quarter ended December 31, 2021. Gain(Loss) on derivatives was $2,982 for the year ended December 31, 2022, compared to $nil for the year ended December 31, 2021. See *Sublicensing Transaction, Put and Call Options* below.

R&D Expenses net of refundable tax credits was $662,424 for the quarter ended December 31, 2022, compared to $716,205 for the quarter ended December 31, 2021. R&D Expenses net of refundable tax credits was $2,603,021 for the year ended December 31, 2022, compared to $1,961,205 for the year ended December 31, 2021. R&D spending in the year ended December 31, 2022 was significantly higher than in the year ended December 31, 2021 partly because the Company ramped up R&D contractor spending following the closure of the Arrangement in August 2021; and partly because the Company ceased to be eligible for refundable R&D tax credits when the Arrangement closed.

Contract R&D spending with contractors both in Canada and abroad was significantly higher than in the prior year partly because the Company ramped up R&D contractor spending following the closure of the Arrangement in August 2021; and partly because the Company ceased to be eligible for refundable R&D tax credits when the Arrangement closed.

R&D Expenses are comprised of contract research expenditures at OHRI and the Company's other research and development contractors, and costs of scientific materials. Substantially all of these expenditures relate to Satellos' lead R&D program in Duchenne, except for funding provided to UT to fund the UT SRA, which was offset by collaboration income provided to the Company by NW PharmaTech and by NW Micelle Technologies, Inc.

Up until the closing of the Arrangement on August 13, 2021, Pre-Arrangement Satellos was a Canadian-controlled private corporation eligible to claim refundable investment tax credits as a result of incurring scientific research and experimental development ("**SR&ED**") expenditures. Pre-Arrangement Satellos recognized investment tax credits when the related expenditures were incurred and there was reasonable assurance of their realization. The Company is no longer eligible for refundable investment tax credits following the closure of the Arrangement. As the successor of Pre-Arrangement Satellos, the Company recognized a receivable $130,137 as of December 31, 2021, which was the Company's estimate at that date of refundable investment tax credits accrued by Pre-Arrangement Satellos up to the closing of the Arrangement. In the first quarter of 2022 the Company reduced this estimate by $16,431 based on advice received from its tax preparer resulting in a receivable of $113,706. On July 12, 2022 Canada Revenue Agency issued a Notice of Allowance for the tax filing covering the stub year ending August 12, 2021 for Pre-Arrangement Satellos, confirming a refund of $113,706 plus a small amount of interest, and the funds were deposited into the Company's account on July 18, 2022.

Management Fees and Salaries was $783,523 for the quarter ended December 31, 2022, compared to $430,229 for the quarter ended December 31, 2021. Management Fees and Salaries was $2,058,889 for the year ended December 31, 2022, compared to $1,154,831 for the year ended December 31, 2021. The increase in both periods was due the addition of consultants in 2022 and to an increase in compensation paid to management, directors, scientific and administrative consultants in 2022 compared to 2021.

Professional Fees was $444,531 for the quarter ended December 31, 2022, compared to $246,192 for the quarter ended December 31, 2021. Professional Fees was $1,590,941 for the year ended December 31, 2022, compared to $450,108 for the year ended December 31, 2021. The increase was due to higher spending on accounting, audit and legal fees, generally due to the Company being publicly-traded in the period in 2022 whereas it was private for more than half of the period in 2021.

Interest Expense was $nil for the quarter ended December 31, 2022, compared to $nil for the quarter ended December 31, 2021. Interest Expense was $nil for the year ended December 31, 2022, compared to $51,135 for the year ended December 31, 2021. Interest Expense was due solely to interest costs incurred in servicing the convertible note that was initially disbursed to Pre-Arrangement Satellos by Parent Project Muscular Dystrophy ("**PPMD**") in December 2020. All principal and interest of the convertible note was converted to shares issued to PPMD on closing of the Arrangement on August 13, 2021.

Financing Costs was $nil for the quarter ended December 31, 2022, compared to $90,871 for the quarter ended December 31, 2021. Financing Costs was $nil for the year ended December 31, 2022, compared to $934,197 for the year ended December 31, 2021. In 2021, Financing Costs consisted of legal expenses for financing transactions (mainly the Arrangement), investor relations, and related agency and other costs that were expensed rather than being capitalized. In the case of the Arrangement, costs were expensed as the Arrangement involved the exchange of shares without new capital being invested in the Company. In contrast, costs incurred in the Concurrent Financing in 2021, and in the Unit Offering in 2022, were

capitalized because new capital was invested.

General & Administrative expenses consists of the line items Insurance, Depreciation, Licenses, Conferences, Travel, Income Tax Expenses, Other Expenses, Foreign exchange loss/(gain), and Foreign currency translation adjustments as shown in the audited annual consolidated financial statements.

General & Administrative expenses were $111,860 for the quarter ended December 31, 2022, compared to $123,834 for the quarter ended December 31, 2021. General & Administrative expenses were $816,127 for the year ended December 31, 2022, compared to $269,330 for the year ended December 31, 2021. The increase in 2022 versus 2021 was primarily due to increased depreciation expense due to amortization of the technology asset acquired from iCo through the Arrangement on 13 August 2021. There were also higher costs for insurance (the Company is now publicly-traded), conference and travel expenses. Conference and travel expenses were much lower in 2021 due to the COVID-19 pandemic. Finally, foreign exchange losses were significantly higher in 2022 due to the fall in value of the Canadian dollar versus the US dollar.

Stock-based Compensation was $249,132 for the quarter ended December 31, 2022, compared to $522,153 for the quarter ended December 31, 2021. Stock-based Compensation was $1,439,757 for the year ended December 31, 2022, compared to $971,532 for the year ended December 31, 2021. 2,125,120 options were granted at the closing of the Arrangement on August 13, 2021 and the recognition of stock-based compensation for this large number of options on a periodic basis largely accounts for the differences in amounts recognized in the periods reported above. The quarterly amount recognized in Q4 2021 was higher than the quarterly amount recognized in Q4 2022 due to the vesting schedule of the options. The yearly 2022 amount was higher because it shows 12 months of vesting, whereas the yearly 2021 amount shows vesting from August 13, 2021 to December 31, 2021.

Impairment of Intangible Asset expense was $2,885,542 for the quarter ended December 31, 2022, compared to $nil for the quarter ended December 31, 2021. Impairment of Intangible Asset expense was $2,885,542 for the year ended December 31, 2022, compared to $nil for the year ended December 31, 2021. See *Impairment of Intangible Asset* below for a description of the determination of impairment in 2022. The Company did not recognize any impairment of its intangible asset in 2021.

A Listing Expense was booked as an expense of $9,789,002 during the year ended December 31, 2021. There was no analogous expense for the year ended December 31, 2022. The Listing Expense was a consequence of the Arrangement and is more fully described in the annual consolidated financial statements.

The Net Loss, Comprehensive Loss was $5,078,450 for the quarter ended December 31, 2022, compared to $2,124,727 for the quarter ended December 31, 2021. This increase in loss was primarily due to the Impairment of Intangible asset expense recognized during the quarter ended December 31, 2022.

The Net Loss, Comprehensive Loss for the year ended December 31, 2022 was $11,328,260 compared to $15,507,096 for the year ended December 31, 2021. This decrease in loss was due to the Company closing the Arrangement and recognizing the Listing Expense of $9,725,129 during the year ended December 31, 2021; partially offset by the Impairment of Intangible asset expense recognized during the year ended December 31, 2022. Both of these are “one-off” events. During the year ended December 31, 2022 the Company had increased costs for R&D expenditures, management expenses (including Stock-based Compensation), and professional fees, all due to increased activity compared to the prior year. See “*Risks and Uncertainties*” for certain factors which may impact losses from continuing operations.

Research and Development Expenditures and R&D Milestone Allocations

Period	2018	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Cumul. Spending 2018 to 2022
R&D Expenditures									
R&D Contracts & Materials	642,051	1,488,429	940,942	2,003,613	771,445	616,049	611,307	662,424	7,736,260
R&D Management & Consultants[1]	90,000	69,000	365,767	547,243	159,566	149,942	189,692	159,211	1,730,431
	732,051	1,557,429	1,306,709	2,550,856	931,011	765,991	800,999	821,645	9,466,691
Allocation by R&D Milestone									
Nomination of Lead and Back Up Drug Development Candidates	732,051	1,557,429	1,306,709	2,032,045	603,735	573,717	752,037	735,066	8,292,789
Evaluation of a Disease Expansion Indication	-	-	-	-	86,477	41,195	-	-	127,672
Evaluation of Potential Biomarkers	-	-	-	381,008	113,200	107,572	39,581	38,688	680,049
Evaluation of 2nd Development Program	-	-	-	127,003	37,733	35,857	-	-	200,593
Oral AmpB Program	-	-	-	10,800	89,866	7,650	9,381	47,891	165,588
	732,051	1,557,429	1,306,709	2,550,856	931,011	765,991	800,999	821,645	9,466,691

Notes:

(1) R&D Management & Consultants are included in Management Fees on the applicable financial statements.

Status of R&D Milestones / Projects (2022)

Research Project	Status as of December 31, 2022	Description
Nomination of Lead and Back Up Drug Development Candidates	Lead Nominated Back-up in progress – see SAT-3153 Preclinical Profiling and Nomination of a Back-up Drug Candidate in Milestones / Projects (2023)	The Company has invented several dozen potential DCs across three (3) chemical series of novel K9 inhibitors. Following a variety of in vitro and in vivo assays which it has established, the company prioritized SAT-3153 and on January 3, 2023 announced SAT-3153 to be its DC.
Evaluation of a Disease Expansion Indication	Achieved Estimated spending in 2023: $41,195	The Company entered into a sponsored research agreement with UdeS to undertake the assessment of additional disease indications. The Company publicly reported on a potential 2nd dystrophy disease indication in October, meeting this milestone. The 2023 spending shown to the left is the remaining funding due to UdeS in 2023.
Evaluation of Potential Biomarkers	Achieved Estimated spending in 2023: limited	The Company has evaluated a number of potential biomarkers which have been incorporated into its development activities and will continue to be assessed as part of future studies.
Evaluation of 2nd Development Program	Achieved Estimated spending in 2023: limited	The Company has identified and evaluated Wnt7a as a prospective candidate for a second drug program. This milestone has been met for 2022.
Oral AmpB Program	Licensed to NWMT Spending in 2023: $42,008	The Company has entered into a licensing agreement with NWMT as described above in the section titled "*Post-Q3 Events*" under which NWMT assumes development and funding responsibility. The 2023 spending shown to the left has been reimbursed by NWMT.

Status of R&D Milestones / Projects (2023)

Research Project/Milestone	Status and Projected Budget for 2023	Description
Discovery R&D	Ongoing in 2023 Est'd spend: $0.6M	R&D program in the Company's research lab under the direction of the CSO, Dr. Michael Rudnicki, focused on supporting the preclinical development plan, assessing and validating new drug targets and new disease indications, and continuing to generate new IP. This program will operate continuously throughout 2023.
SAT-3153 Preclinical Profiling and Nomination of a Back-up Drug Candidate	Ongoing in 2023 Est'd spend: $2.0M	A range of larger-scale and longer-duration in vivo studies to: establish oral dosing parameters for SAT-3153, guide clinical development, profile the effects of SAT-3153 under different treatment regimes and in comparison to other treatment approaches, and build a body of competitive information. Much of this program will be conducted with CROs who specialize in Duchenne preclinical studies. In addition, ongoing activities to advance chemistry, test and nominate a back-up DC will continue. We anticipate this body of work to take approximately nine (9) months commencing in Q2 2023.
Pre-IND Studies and Regulatory Documentation	Ongoing in 2023 Est'd spend: $2.0M	Conducting requisite non-GLP and GLP dose ranging and in vitro and in vivo safety studies to support clinical trial development and be included in the IND/CTA applications. This body of work generally can be completed within a 6-month timeframe and is intended for the second half of 2023.
CMC Development and GMP Manufacturing of SAT-3153	Ongoing in 2023 Est'd spend: $2.5M	(1) Conduct/compilation of prescribed studies and information related to the components, analysis and use of SAT-3153 in a Phase 1 clinical trial/s which will be included in the Chemistry, Manufacturing and Controls (CMC) section of the IND/CTA applications to be submitted to the FDA and Health Canada. (2) Good Manufacturing Practice (GMP) methods and protocol development, and GMP manufacturing of SAT-3153 drug substance to be used in Phase I clinical trials. We anticipate this body of work will require 6 -9 months and will be completed in H2 2023.
Pediatric Toxicology	Ongoing in 2023 Est'd spend: $1.0M	Conducting non-clinical studies for the safety assessment of SAT-3153 for use in juvenile patients, such as might be the case in treating Duchenne. Regulatory bodies recognize that, as juveniles are continuously developing, safety studies directed to adult population may not be sufficient for determining the safety of a drug candidate in juvenile populations, such as Duchenne patients. This body of work typically ranges from 4-6 months.

Summary of Quarterly Results

The table below is derived from unaudited quarterly results and was prepared by management for the eight previous quarters to December 31, 2022.

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue	nil	nil	nil	nil	nil	nil	nil	nil
Net Loss[1]	861,800	860,595	11,659,974	2,124,727	2,117,487	2,233,131	1,899,192	5,078,450
Weighted average number of Common Shares[2]	18,338,536	18,491,470	26,220,680	32,996,643	32,997,613	32,997,613	34,898,371	41,797,613
Loss per Share[3]	(0.05)	(0.05)	(0.44)	(0.06)	(0.06)	(0.07)	(0.05)	(0.12)

Notes:

(1) Loss from operations are equivalent to comprehensive loss; all losses are from continuing operations; and all losses are attributable to the owners of the Company.

(2) Weighted average number of shares has been restated to reflect the exchange of Pre-Arrangement Satellos shares for iCo Shares and the 20:1 consolidation under the Arrangement – see Note 4 to the annual consolidated financial statements.

(3) Basic and diluted loss per share is calculated by dividing Net Loss for the period attributable to the Company by the weighted average number of common shares outstanding and the dilutive effect of outstanding warrants and options during the period. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and, therefore, they have been excluded from the calculation of diluted loss per share.

ISSUANCE OF COMMON SHARES PURSUANT TO LICENSE AMENDMENT

On June 29, 2022, the Company and the Ottawa Hospital Research Institute ("OHRI") executed an amendment to the existing license agreement between the parties ("License"), under which (a) additional intellectual property held by OHRI was added to the License; (b) the Company agreed to pay a cash fee to OHRI within 30 days; and (c) the Company agreed to issue 50,000 Common Shares from treasury to OHRI within 60 days. The closing price per Common Share on June 29, 2022 on the TSXV was $0.455 therefore the fair market value of the Common Shares the Company had agreed to issue to OHRI was set at $22,750. On July 12, 2022 the Company issued 50,000 Common Shares to OHRI, and on July 21, 2022 the Company paid the cash fee to OHRI.

SEPTEMBER 2022 UNIT OFFERING

On September 13, 2022, the Company closed a previously announced public offering (the "**Unit Offering**") of units of the Company ("**Units**") whereby an aggregate of 8,750,000 Units were issued at a price of $0.40 per Unit, raising gross proceeds of $3,500,000. Each Unit consisted of one Common Share of the Company and one-half of one Common Share purchase warrant of the Company (each whole Common Share

purchase warrant, a "**Warrant**"), with each Warrant being exercisable into one Common Share at an exercise price of $0.60 until expiry on September 13, 2025.

The Unit Offering was conducted by a syndicate of agents led by Bloom Burton Securities Inc. ("**BBSI**"), an affiliate of a shareholder in the Company. The agents were paid a cash fee of $245,000, equal to 7% of the gross proceeds, and were granted 612,500 compensation warrants, equal to 7% of the number of Units issued (the "**Compensation Warrants**"). Each Compensation Warrant is exercisable into one Common Share at an exercise price of $0.40 until expiry on September 13, 2024.

The Units were qualified for sale by way of a final short form prospectus dated September 6, 2022 filed by the Company in each of the provinces of British Columbia, Alberta, and Ontario pursuant to National Instrument 44-101 - Short Form Prospectus Distributions, and by way of private placement in the United States and to, or for the account or benefit of, persons in the "United States" or "U.S. persons" (as such terms are defined in Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**")), pursuant to exemptions from the registration requirements under the U.S. Securities Act, and pursuant to all applicable U.S. state securities laws.

An aggregate of 2,240,000 Units were purchased by insiders of the Company under the Unit Offering for gross proceeds of $896,000. Each insider subscription constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). In completing the purchases of Units by the Company's personnel, the Company relied on the exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 set forth in Sections 5.5(a) and 5.7(a) of MI 61-101, as the aggregate value of the insiders' purchase of Units did not exceed 25% of the market capitalization of the Company. The Company did not file a material change report more than 21 days before the expected closing of the Unit Offering due to the limited time between the commitment by the insiders to purchase the subject Units and the closing of the Unit Offering.

DEBENTURE FINANCING IN MARCH 2023

On March 24, 2023, the Company closed a non-brokered private placement offering of 10% unsecured non-convertible debenture units (the "**Debenture Units**") pursuant to which the Company issued 2,385 Debenture Units and raised gross proceeds $2,385,000 (the "**Debenture Offering**"). Each Debenture Unit is comprised of: (i) $1,000 principal amount of unsecured non-convertible debentures of the Company (the "**Debentures**"); and (ii) for no additional consideration, such number of common shares in the capital of the Company (each whole common share, a "**Bonus Share**", and collectively, the "**Bonus Shares**") as is equal to $100 divided by $0.355, being the closing market price of the common shares of the Company on the TSX Venture Exchange on March 15, 2022, rounded to the nearest whole share. 671,825 Bonus Shares were issued in connection with the Debenture Units. The Debentures will mature on September 24, 2024 (the "Maturity Date") and bear interest at a rate of 10% per annum payable quarterly in arrears in cash. The Company expects to use the proceeds of the Offering for corporate and general working capital purposes.

Frank Gleeson, President and CEO of the Company, William Jarosz, a director and officer of the Company, and Geoff MacKay, the Company's Board Chair, participated in the Debenture Offering. Such participation is considered a related party transaction within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The related party transaction is exempt from minority approval, information circular, and formal valuation requirements pursuant to the exemptions contained in Sections 5.5(a) and 5.7(1)(a) of MI 61-101, as neither the fair market value of the gross securities issued nor the consideration paid exceeds 25% of the Company's market capitalization.

The Debentures and the Bonus Shares to be issued pursuant to the Debenture Offering, will be subject to a hold period of four months plus one day from the Closing Date, except as permitted by applicable securities legislation and the rules of the TSXV.

As consideration for certain services provided to the Company in connection with the Debenture Offering, the Company agreed to pay a finder's fee comprised of a cash fee equal to 5% of the principal amount of Debentures purchased by subscribers that were introduced to the Company by each such finder, other than in respect of Debentures sold to persons included on the president's list of the Company, for which no cash fee was paid.

ONGOING FINANCING EFFORTS

The Company expects to raise additional capital in Canada and the United States during 2023 to support R&D and general corporate activity. There can be no assurance that the Company will be successful in raising capital.

Despite management's expectations, the Company may require additional capital exceeding the Company's cash on hand resources even after giving effect to the Debenture Offering and the additional fund-raising activity described in the paragraph immediately above, and in the future. There can be no assurance that the Company will be successful in raising capital.

SUBLICENSING TRANSACTION AND ASSETS HELD FOR SALE

On October 06, 2022, the Company and its wholly-owned subsidiary AmpB Tech entered into certain contracts with NW Pharmatech Limited, a private company based in the United Kingdom ("**NWPT**"), and with NW Micelle Therapeutics Inc., a company incorporated under the laws of Delaware, USA ("**NWMT**").

- AmpB Tech, NWPT and NWMT entered into a shareholders agreement and a stock purchase agreement under which AmpB Tech acquired 15% of the equity of NWMT. NWPT owns the balance of the equity of NWMT and controls NWMT.

- AmpB Tech and NWMT entered into a product sublicense agreement (the "Sublicense") under which AmpB Tech has granted to NWMT certain rights to research, develop, manufacture, have made, distribute, import, offer for sale and sell certain products that utilize OralTrans (as defined below in *Impairment of Intangible Asset*, also see Note 6 to the audited annual consolidated financial statements). As consideration for the grant of the Sublicense, AmpB Tech received the investment in NWMT described above.

- The Company and NWPT entered into an agreement in which (a) NWPT acquired a time-limited option to acquire AmpB Tech from the Company for $3,000,000 US dollars, subject to certain conditions (the "**Call Option**"); and (b) the Company acquired a time-limited option (with the same term as the Call Option) to compel NWPT to acquire AmpB Tech from the Company for $3,000,000 US dollars, subject to certain conditions (the "**Put Option**").

The Company does not have control nor significant influence over NWMT and therefore has accounted for the investment in NWMT as an asset held at fair value. As of October 06, 2022, the fair value of the investment in NWMT was determined to be $42,405 based on the price paid by NWPT for its holdings in NWMT, the relative ownership stakes of AmpB Tech and NWPT, and the US$/C$ exchange rate on that

date. At each reporting period the Company will review the fair value of the investment in NWMT and any adjustments will be accounted for through the consolidated statement of loss and comprehensive loss. For the period ending December 31, 2022, the Company has concluded that there was no change in the fair value of the investment in NWMT, however the fair value of the investment in NWMT is measured in US dollars and therefore a currency adjustment was applied at December 31, 2022.

Valuation of the Put Option and the Call Option

The Company has recognized the net value of the fair value of the Put Option and the Call Option on the Statement of Financial Position in the audited annual consolidated financial statements. At each reporting period the Company will review the net fair value of the Put Option and the Call Option and any adjustments will be accounted for as gain(loss) on derivatives on the consolidated statement of loss and comprehensive loss. The fair value of the Put Option and the Call Option was calculated using the Black-Scholes option pricing model with the following inputs:

- Spot price was the exercise price converted to Canadian dollars and discounted at the risk-free rate for the remaining term;
- Exercise price was US$3,000,000 converted to Canadian dollars at the applicable spot rate,
- Term was the applicable date to October 06, 2023, the expected date of exercise;
- Risk-free rate was the 1 year treasury bill rate as of the applicable date as reported by the Bank of Canada:
    - October 06, 2022: 3.98%
    - December 31, 2022: 4.52%;
- Volatility was 75.9%, calculated as the average 1 year stock price volatility for a set of comparable publicly traded companies.

Summary of Derivative Asset and Derivative Liability

	October 06, 2022	December 31, 2022
Fair value of Put Option:	$ 1,173,546	$ 1,025,281
Fair Value of Call Option:	1,170,491	1,022,298
Derivatives, net:	3,055	2,983

IMPAIRMENT OF INTANGIBLE ASSET

Intangible asset consists of the Oral AmpB Delivery System ("**OralTrans**"), which consists of (a) a license to three patents from the University of British Columbia; (b) title to several patents and patent applications; and (c) clinical and pre-clinical data. This intangible asset has a finite useful life that is estimated to run until the latest expected expiry date of the patent that is expected to issue from the latest-filed patent application either licensed to or filed by the Company. Until September 30, 2022, the Company had estimated the useful life to run to July 31, 2038. As of October 01, 2022 the Company elected to abandon certain patents and patent applications which were considered to have no utility. Subsequently the Company had estimated the useful life to run to April 30, 2032, resulting in a higher rate of amortization being applicable for periods following October 01, 2022.

Due to the prospect of sale within one year, OralTrans is considered to be an asset held for sale and therefore, the carrying value of OralTrans has not been depreciated since October 06, 2022.

Impairment was determined as follows:

- The fair value of AmpB Tech is the sum of the fair value of its assets, which on October 06, 2022 consisted of OralTrans and the investment in NWMT. The value of OralTrans was therefore the fair

value of AmpB Tech on October 06, 2022 minus the fair value of the investment in NWMT on October 06, 2022.

- The fair value of AmpB Tech on October 06, 2022 was estimated as the present value on that date of the exercise price of the Call Option on the date of exercise, or US$3,000,000, converted to Canadian dollars at the spot exchange rate (1.373108), i.e. $4,119,324.

- The Company considers it highly probable that the Call Option will be exercised within one year of the contract date (i.e. by October 06, 2023).

- The fair value of AmpB Tech on October 06, 2022 was derived from the price of an option, therefore the applicable discount rate is the risk-free rate, which has been estimated as 3.98%, the 1 year treasury bill rate as of October 06, 2022 (source Bank of Canada). Therefore the value of OralTrans was equal to $3,958,595 on October 06, 2022.

- The fair value of the investment in NWMT was determined to be $42,405 (see S*ublicensing Transaction, Put and Call* above).

- Therefore the value of OralTrans was equal to $3,916,190 on October 06, 2022.

- The impairment loss of $2,885,542 for OralTrans was calculated as the difference between the original cost minus accumulated amortization and the value of OralTrans on October 06, 2022.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

The audited annual consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and the discharge of liabilities in the normal course of operations for at least the next twelve months. See *"September Unit Offering and Ongoing Financing Efforts"*.

For the year ended December 31, 2022, the Company incurred a comprehensive loss of $11,328,260 resulting in an accumulated deficit of $31,613,699. For the year ended December 31, 2022, the company had a net cash outflow from operating activities of $5,713,347 and ended the period with $1,923,536 in cash and equivalents and a net working capital deficit of $597,612. The Company's ability to continue as a going concern is dependent on obtaining additional funding through financings, other strategic activities as well as via grants, to fund the development of its drug candidates. See *Ongoing Financing Efforts*. There can be no assurance that the Company will be successful in raising the necessary financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The audited annual consolidated financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the audited annual consolidated financial statements. These adjustments could be material.

Cash Management

Net Working Capital was $(597,612) for the year ended December 31, 2022, compared to $3,338,864 for the year ended December 31, 2021. The decrease is due to the net of (a) an increase in current liabilities of $726,112; (b) a decrease in current assets other than cash of $262,636, due primarily to collection of R&D tax credits receivable for 2021 and a reduction of sales tax receivable; and (c) a decrease in cash of $2,947,727. Overall, the decrease is due to the net of (i) spending during the year ended December 31, 2022 and (ii) the net proceeds of the Unit Offering.

The Company holds its cash and cash equivalents in accounts with the Royal Bank of Canada, one of Canada's largest banks, where it holds capital in cash for short-term needs and guaranteed investment certificates for cash beyond current needs.

Satellos' main objectives in managing capital are to ensure cash resources are preserved and provide sufficient liquidity to finance research and development activities, ongoing administrative costs and working capital. Since inception, Satellos has financed its operations from private sales of equity, convertible debt financing, government grants, investment tax credits. Since Satellos has not generated net earnings from operations, its ongoing liquidity depends on its ability to access capital markets, which depends on the success of Satellos' ongoing research and development programs, as well as capital market conditions and. See *Ongoing Financing Efforts.*

Satellos uses cash flow forecasts to estimate cash requirements for the ensuing twelve-month period. Based on these requirements, Satellos plans to raise capital as required to provide the necessary financial resources for operations. The timing of financings will depend on market conditions and Satellos' cash requirements. Satellos' cash flow forecasts are continually updated to reflect actual cash inflows and outflows so as to monitor the requirements and timing for additional financial resources. Given the volatility of the Canadian and US dollar exchange rate, the Company estimates its US dollar expenses for the year and sets appropriate levels of US dollar cash and cash equivalent balances. By holding US dollars, Satellos remains subject to currency fluctuations which affect its loss and comprehensive loss during any given year. As of December 31, 2022, the Company also held an Australian dollar balance and has Australian dollar liabilities through its wholly-owned subsidiary, iCo Therapeutics Australia Pty Ltd, and thus remains subject to fluctuations in the relative values of the Canadian and Australian dollars, which affects its comprehensive loss during any given year.

Satellos will continue to pursue various funding options and opportunities; however, no assurances can be made that Satellos will be successful in raising additional investment capital, to continue as a going concern. If Satellos is not able to raise capital, Satellos will have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities. See *Ongoing Financing Efforts.*

Satellos continues to monitor additional opportunities to raise equity capital and/or secure additional funding through non-dilutive sources such as government grants and license agreements.

Long-Term Debt

On December 7, 2020, Satellos and PPMD, a US-based non-profit organization committed to exploring and supporting new therapeutic treatments for Duchenne, entered into an agreement under which PPMD agreed to make an investment in Satellos of up to US$1 million by way of a convertible note. In December 2020 PPMD disbursed US$850,000 to Satellos and a further US$150,000 was disbursed on August 6, 2021. As part of the closing of the Arrangement, on August 13, 2021, 856,716 Common Shares were issued to PPMD in full consideration for the principal and accumulated interest of the convertible note.

Long-Term Obligations and Other Contractual Commitments

The Company may be required to make annual, milestone, royalty, and other research and development funding payments to OHRI under the OHRI SRA and the OHRI License. These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. The Company's significant contingent milestone, royalty and other research and development commitments are as follows:

- Royalties on net sales of any products covered by patents licensed from OHRI ("**Licensed Products**") of 1% or 2% (depending on which patents cover a particular product), during the period when the applicable patents have valid, unexpired claims, subject to certain royalty stacking provisions;

- The following payments to OHRI may be triggered by specified events:

    - $50,000 - each time a Licensed Product is the subject of an approved IND in the US or equivalent in any other industrialized country (maximum one payment per new drug candidate);

    - $150,000 - each time a Licensed Product first enters Phase II human clinical trials in the US or equivalent in any other industrialized country (maximum one payment per new drug candidate);

    - $300,000 - each time a Licensed Product first enters Phase III human clinical trials in the US or equivalent in any other industrialized country (maximum one payment per new drug candidate); and

    - $1,000,000 - each time a Licensed Product is the subject of a regulatory approval in the US (such as NDA and BLA) or equivalent in any other industrialized country (maximum one payment per new drug candidate).

- 2% of sublicensing income received by Satellos from the grant of sublicenses.

The Company is required to pay annual fees to UBC under the UBC License Agreement for maintaining the license until such time as a NDA for the Oral Amp B Delivery System is approved by the FDA or other regulatory body, or the license expires or is terminated. The Company may be required to make milestone, royalty, and other payments. These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. The Company has not accrued for these payments as at December 31, 2022 due to the uncertainty over whether these milestones will be achieved. The Company is required to make additional contingent payments of up to $1,850,000 in aggregate contingent upon the achievement of certain development and commercialization milestones and is also required to pay royalties on future revenues.

As described above under *License Agreements*, the Company may be required to make additional contingent payments to AstraZeneca related to iCo-008 upon the successful achievement of certain development and commercialization milestones. The Company may be required to pay royalties on future revenues.

TRANSACTIONS WITH RELATED PARTIES

Overview

The following related parties have engaged in transactions with the Company during the years ended December 31, 2022 and December 31, 2021:

(1) Bloom Burton Development Corporation ("**BBDC**"), BBSI and Bloom Burton & Co. (all of whom are affiliated)

- As of December 31, 2022, BBDC, BBSI and Bloom Burton & Co. collectively owned approximately 15.5% of the outstanding Common Shares on a fully diluted basis. Brian Bloom, a director of the Company, is Co-Founder, Chairman and Chief Executive Officer of Bloom Burton & Co. John Holyoake, who served as a director of the Company until December 2021, is an officer of BBDC.

(2) 6857990 Canada Inc.

- 6857990 Canada Inc. is a consulting company controlled by Frank Gleeson, who is the President and Chief Executive Officer ("**CEO**") of the Company. The Company paid 6857990 Canada Inc. for services of the CEO until 30 June 2021, after which the CEO became an employee of the Company.

(3) William Jarosz

- Mr. Jarosz, previously the CEO of iCo and now the Executive Director of the Company, has provided consulting services to iCo and the Company pursuant to a consulting agreement he originally entered into with iCo. Mr. Jarosz has also entered into a director's compensation agreement with the Company.

BBDC and BBSI

BBSI acted as the exclusive financial advisor to iCo on the Arrangement. Prior to the closing of the Arrangement, iCo had incurred consulting and advisory fees owed to BBSI of $140,000 (plus HST of $18,200), and the accrued liability was assumed by the Company on closure of the Arrangement. This liability was discharged during the first quarter of 2022.

BBSI acted as the lead agent in connection with the Concurrent Financing and in connection therewith received a portion of the agency fee (aggregate agency fee equal to 6.0% of the gross proceeds of the Concurrent Financing), as well as a portion of the broker warrants (aggregate broker warrants equal to 6.0% of the total number of Subscription Receipts sold pursuant to the Concurrent Financing).

The Unit Offering was conducted by a syndicate of agents led by BBSI. The agents were paid a cash fee of $245,000, equal to 7% of the gross proceeds, and were granted 612,500 Compensation Warrants, equal to 7% of the number of Units issued. Each Compensation Warrant is exercisable into one Common Share at an exercise price of $0.40 until expiry on September 13, 2024.

The Company engaged BBSI in a consulting agreement in the fourth quarter of 2022 that had not been completed as of December 31, 2022. The Company has accrued $40,000 in expenses for work that is in progress under this agreement, but had not been invoiced, as of December 31, 2022.

In the quarter ended December 31, 2022 Satellos paid $nil in rent and other occupancy charges to BBDC (quarter ended December 31, 2021 $4,776).

As of December 31, 2022, BBDC, BBSI and Bloom Burton & Co. (all of whom are affiliated) collectively owned approximately 15.5% of the outstanding Common Shares on a fully diluted basis.

6857990 Canada Inc.

Frank Gleeson, the President and CEO of Satellos provided services ("**CEO Services Agreement**") as an officer of Satellos and was compensated through his management company 6857990 Canada Inc. Following closing of the Arrangement, the CEO Services Agreement was cancelled and replaced with an employment agreement between the Company and Mr. Gleeson under which Mr. Gleeson continued in the role of President and CEO. The employment agreement was made retroactive to July 1, 2021.

Consulting Agreement

Effective March 9, 2020, iCo entered into a consulting agreement with William Jarosz (the "**Consulting Agreement**"), then the CEO of iCo, who has subsequently become a director and officer of the Company. Pursuant to the Consulting Agreement, as of the closing of the Arrangement, iCo had recognized an accrued liability of US$289,194 (C$361,845) to Mr. Jarosz, and the Consulting Agreement and the accrued liability were assumed by the Company on closure of the Arrangement. For the period from the date of the closing of the Arrangement to December 31, 2021 the Company recognized an accrued liability of US$55,787 (C$70,737) for the Consulting Agreement and a director's compensation agreement. For the period from January 1, 2022 to December 31, 2022, the Company has recognized accrued liabilities of US$120,000 (C$156,233) for the Consulting Agreement and US$28,750 (C$37,555) under a director's compensation agreement. On September 13, 2022 Mr. Jarosz participated in the Unit Offering and purchased 325,000 Units in exchange for a reduction in accrued liabilities owed of US$98,729 (C$130,000). As at December 31, 2022, US$395,002 (C$496,370) in accrued liabilities have not been discharged.

Liabilities to Directors

As at December 31, 2022 the Company recognized accrued liabilities of US$41,397 (C$56,174) to three of its directors (excluding the director in the preceding paragraph) under director's compensation and consulting agreements. These liabilities have subsequently been discharged.

OFF-BALANCE SHEET ARRANGEMENTS

Satellos has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations or arrangements with respect to any obligations under a variable interest equity arrangement.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Satellos is exposed to various risks through its financial instruments as at December 31, 2022. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk arises from cash and cash equivalents held at banks and financial institutions, as well as outstanding receivables. The Company invests its excess cash in short-term Guaranteed Investment Certificates. The Company limits its exposure to credit risk, with respect to cash and cash equivalents, by

placing them with high quality credit financial institutions. The Company's cash equivalents consist primarily of operating funds and deposit investments with commercial banks.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash flow requirements associated with financial instruments. The Company continues to manage its liquidity risk by monitoring its cash flows and investments regularly, comparing actual results with budgets and future cash requirements. See *Ongoing Financing Efforts* and also refer to the Going Concern discussion under *Liquidity and Capital Resources*. The following are the carrying values and contractual maturities of financial liabilities as at December 31, 2022:

	December 31, 2022	**Term to Maturity**
Accounts payable and accrued liabilities	$ 2,830,124	Due within 6 months

Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to this risk changes as the exchange rate fluctuates.

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for research and development incurred in US dollars. The Company manages foreign exchange risk by maintaining US$ cash on hand to fund its short-term foreign currency expenditures. The Company also maintains a bank account in Australia and has expenses and payables denominated in Australian dollars ($A) through its subsidiary iCo Therapeutics Australia Pty Ltd.

Balances in foreign currencies at December 31, 2022 and December 31, 2021 were as follows:

	December 31, 2022 (US$)	**December 31, 2021 (US$)**
Cash and cash equivalents	393,418	176,064
Deposits (included in Prepaid expenses and deposits)	6,290	-
Accounts payable and accrued liabilities	1,057,653	825,495

Based on the US$ balance sheet exposure at December 31, 2022, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 10%, relative to the rate at December 31, 2022, the net monetary liabilities would be approximately $89,280 greater. If the Canadian dollar were to strengthen against the US dollar by 10%, relative to the rate at December 31, 2022, the net monetary liabilities would be approximately $81,163 less.

	December 31, 2022 (A$)	December 31, 2021 (A$)
Cash and cash equivalents	7,190	344,824
Accounts payable and accrued liabilities	94,695	446,887

Based on the A$ balance sheet exposure at December 31, 2022, with other variables unchanged, if the Canadian dollar were to weaken against the Australian dollar by 10%, relative to the rate at December 31, 2022, the other comprehensive loss would be approximately $8,047 greater. If the Canadian dollar were to strengthen against the Australian dollar by 10%, relative to the rate at December 31, 2022, the other comprehensive loss would be approximately $7,315 less.

Fair Value

Financial assets and liabilities are recognized on the statement of financial position at amortized cost in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

At December 31, 2022, the Company's financial instruments included cash and cash equivalents, accounts receivable, the Put Option, the Call Option and accounts payable and accrued liabilities.

Due to the short-term maturities of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, the carrying amounts approximate fair value at the respective statement of financial position date.

There were no transfers of assets or liabilities between levels during the quarters ended December 31, 2022 and 2021.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 41,797,613 Common Shares issued and outstanding, along with the following issued and outstanding convertible securities:

Warrants

Exercise Price (Canadian Dollars)	Expiry Date	Warrants Outstanding as of the date of this MD&A
1.70	13-Aug-2023	255,882
0.40	13-Sept-2024	612,500
0.60	13-Sept-2025	4,375,000
	Total:	5,243,382

Share Options

Exercise Price (Canadian Dollars)	Expiry Date	Options Outstanding as of the date of this MD&A
0.6642	01-Nov-2028	301,100
0.6642	01-Mar-2029	282,281
1.60	10-Jan-2025	35,000
1.00	28-Oct-2025	45,250
1.70	13-Aug-2031	2,115,520
1.48	26-Oct-2031	120,000
1.70	26-Oct-2031	15,900
1.13	05-Dec-2031	62,400
0.33	27-Sept-2032	200,000
0.325	06-Oct-2032	813,750
	Total:	3,991,201

RISKS AND UNCERTAINTIES

In addition to the risks set out earlier in this MD&A, the Company is exposed to numerous other risks and uncertainties. The risks and uncertainties described below are not the only risks the Company could face, but could materially and adversely affect business, financial condition, results of operations and future prospects of the Company. Additional risks and uncertainties that the Company's management is unaware of, or that management currently view as not material, may also become important factors that could adversely affect the Company's business. Readers should carefully consider all risks and uncertainties set forth above and in the discussion below, in the Company's AIF and in the Company's other disclosure documents filed on the Company's SEDAR page at www.sedar.com. Readers should be mindful that additional risks and uncertainties not currently known or reasonably foreseeable may arise and may be beyond the Company's control. Should one or more of these risks or uncertainties, including those listed below, or a risk that is not currently known to us materialize, or should assumptions underlying our forward-looking statements prove incorrect, actual results may vary materially from those described herein.

Limited Operating History

Satellos is in the early stages of its business activities. As a result, it is difficult to evaluate Satellos' prospects, and its future success is more uncertain than if it had a longer or more proven history of operations. There is no assurance that the Company will be successful in achieving a return on investments and the likelihood of success must be considered in light of the early stage of its business activities.

History of Losses and Expectation of Continuing Losses

To date, Satellos has not recorded any revenues from the sale of biopharmaceutical products or earning any licensing revenues, and, as a result, it faces a high risk of business failure. Since its inception, Satellos has incurred significant losses, and, as of December 31, 2022, had an accumulated deficit of $31,613,699. Satellos expects these losses to increase substantially in the coming years as it continues to dedicate its resources to conducting R&D, clinical trials and regulatory filings, commercialization activities and general business operations. To achieve profitability, Satellos must develop and eventually commercialize a product or products with significant market potential either on its own or in collaboration with a partner. These development and commercialization activities are challenging, and include successfully inventing a novel product or products, completing preclinical activities and clinical trials in humans, obtaining regulatory approval for product marketing, and going to market. Satellos may never realize revenue from its products and even if it does, it may not generate sufficient revenue to be profitable.

Ability to Continue as a Going Concern

The audited annual consolidated financial statements include an explanation paragraph in respect of there being material uncertainty about the Company's ability to continue as a going concern. See the Going Concern discussion under *Liquidity and Capital Resources*.

Biotech Industry Risks

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described herein. The risks and uncertainties described herein are not an exhaustive list. Additional risks and uncertainties not presently known to Satellos or that Satellos believes to be immaterial may also adversely affect Satellos' business. If any one or more of these risks occur, Satellos' business, financial condition and results of operations could be seriously harmed.

The market prices for the securities of biotechnology companies, including Satellos, have historically been highly volatile. The market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of any particular company. In addition, because of the nature of our business, certain factors such as our announcements, competition from new therapeutic products or technological innovations, government regulations, fluctuations in our operating results, results of clinical trials, public concern regarding the safety of drugs generally, general market conditions and developments in patent and proprietary rights can have an adverse impact on the market price of our Common Shares. Any change in the public's perception of our prospects could cause the price of our listed securities to change dramatically. Furthermore, any negative change in the public's perception of the prospects of biotechnology companies in general or the market in general could depress our share price regardless of our results. Volatility or depression in the capital markets, particularly with respect to biotechnology stocks, could also affect our ability to raise additional capital.

Requirements for Substantial Additional Funding; Capital Risk; Liquidity Risk; Dilution

R&D efforts in the biotechnology sector, which include drug discovery, and preclinical, clinical and regulatory development activities, are capital intensive and require significant investment. Satellos expects R&D expenses to increase substantially as it scales its drug discovery efforts and advances its ensuing product candidates through the standard stages of biotechnology product development. To continue its current business activities, achieve its milestones and fund increasing future research and product development expenses, Satellos will require additional capital. Securing financing, if available, will likely require Satellos to sell additional Common Shares or other financial instruments that are exchangeable for or convertible into Common Shares, and/or enter into development, distribution or licensing relationships, and/or incur additional debt which may or may not be convertible into equity shares.

The sale of additional equity, including warrants or debt securities, if convertible into equity, will result in dilution to our existing shareholders. Also, any debt financing, if available, may require us to pledge our assets as collateral or involve restrictive covenants, such as limitations on our ability to incur additional indebtedness, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could negatively impact our ability to conduct our business. As a result, our net income per share could decrease in future periods and the market price of our Common Shares could decline. The perceived risk of dilution may negatively impact the price of our shares and may cause our shareholders to sell their shares, which would contribute to a decline in the price of our Common Shares. Moreover, the perceived risk of dilution and the resulting downward pressure on our share price could encourage investors to engage in short sales of our Common Shares, which could further contribute to progressive price declines in our Common Shares.

It is uncertain if these types of equity or debt financings will be available on a timely basis or at all, or available on reasonably acceptable terms. They will be dependent on, among other things, the results and perceived value of the Company's R&D efforts and product candidates, its ability to obtain regulatory approvals, the state of the capital markets overall, agreements with partners, and other relevant commercial considerations.

If Satellos cannot obtain sufficient funding on a timely basis or on reasonably acceptable terms, its ability to continue as a going concern and realize the value of its assets and pay its liabilities as they become due is at risk. Consequently, it may be forced to significantly change or limit current or planned operations in order to safeguard its cash until such time, if ever, that sufficient proceeds from operations are generated. This also could lead to, among other things, Satellos not taking advantage of business development opportunities, the termination or delay of future clinical trials for one or more of its product candidates and jeopardize its ability to continue as a going concern.

No History Of Dividends

Satellos has not paid any cash or other dividends on its Common Shares to date and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its drug development programs. Satellos will need to achieve profitability prior to any dividends being declared.

Compliance with TSXV Listing Requirements

The Company will require significant infusions of capital to advance its development programs. If the Company is unable to raise capital on a timely basis or acceptable terms, its business prospects could be harmed and its stock price negatively affected. A sustained failure to raise capital, whether due to market conditions or development setbacks or other factors, may further cause the Company to fall below the minimum listing standards, such as share price and financial ratios, set by the TSXV. In such an event, its ability to maintain its listing may be compromised and the Company could be delisted. Delisting could have serious consequences for investor liquidity.

Early-Stage Development and Scientific Uncertainty

Satellos' products are at an early stage of the drug discovery research and development process. Significant additional investment in drug discovery research and development, preclinical testing, safety assessments, production scale-up, manufacturing, clinical testing, and regulatory submissions of its potential drug candidates is required prior to commercialization. There can be no assurance that the Company will be successful in actually inventing and developing such drug candidates. Drug discovery research and development is subject to scientific and medical unknowns which can lead to unexpected delays and outcomes. Satellos drug candidates may require raw materials and inputs which may not be available to Satellos in sufficient amounts or in a timely fashion to allow Satellos to complete the development or receive regulatory approval of any product or process. A commitment of substantial time and resources is required to conduct research and clinical trials if Satellos is to complete the development of any product. It is not known whether any of these product or process candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or if Satellos' investment in any such products will be recovered through sales or royalties. The Company's technology will require significant research and development and preclinical and clinical testing prior to regulatory approval being obtained in Canada, the United States or other countries. The Company may not be able to obtain regulatory approvals to complete necessary clinical trials for its technology, or to commercialize it. The Company's technology may prove to have undesirable and unintended side effects, or other characteristics adversely affecting its safety, efficacy or cost-effectiveness could prevent or limit its use. The Company's technology may fail to provide its intended benefit or achieve benefits equal to or better than its competitor's products at the time of testing or production and, if so, its business may fail.

Translational Development Risk

The Company is pioneering a new approach to treating muscle disorders. The Company's muscle stem cell discoveries are unique and the mechanisms of action it has uncovered have never been modulated for therapeutic purposes in muscle regeneration. The pioneering nature of this new pharmacology has caused the Company to face certain transaction hurdles. Among other things, the Company will need to determine the appropriate dosing regimes (including dose levels and frequency/interval of dosing) that elicit desirable effects and for how long such effects endure. Determining appropriate dosing regimes may involve significant iterative efforts, take longer than anticipated, or not be achievable at all. Significant delays or a failure to establish the appropriate pharmacological parameters to translate the Company's discoveries may severely impede the Company's product and clinical development progress which may result in

materially adverse effects on the Company's value and stock price, and could impair its ability to continue operations.

Clinical Trial Risks

The Company's drug product candidates are in the preclinical phase of development. On a statistical basis, drug candidates at this stage of development have a high risk of failure. It is not uncommon for toxicologic, serious adverse or intolerable side effects to be identified during the development of the drug product candidates in the biotechnology industry. If such adverse effects arise, the Company may incur additional costs and/or time delays in attempting to address the underlying issue/s giving rise to the adverse effects. If the Company is unable to correct the problem on a timely basis or at a reasonable cost, it may need to abandon development of the drug candidate or limit its development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Any or all of these outcomes could adversely affect the value of the Company and its stock price, and potentially impair its ability to continue operations.

The Company's clinical trials may fail to produce successful results or could be suspended due to unacceptable safety risks, which could cause its business to fail. Clinical trials are subject to extensive regulatory requirements, and are very expensive, time-consuming and difficult to design and implement, in part because they may be subject to rigorous regulatory requirements. The Company's products may fail to achieve necessary safety and efficacy endpoints during clinical trials. The Company believes that its clinical trials will take a substantial period of time to complete. Furthermore, failure can occur at any stage of the trials, and the Company could encounter problems that cause it to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including: unforeseen safety issues; lack of effectiveness during clinical trials; slower than expected rates of patient recruitment; and inability to monitor patients adequately during or after treatment. The continuing COVID-19 pandemic could delay patient recruitment and lead to additional delays. In addition, the Company or regulatory officials may suspend the Company's clinical trials at any time if it appears that the Company is exposing participants to unacceptable health risks. If the Company's clinical trials fail to produce successful results, or are suspended due to unacceptable safety risks, the Company's business may fail.

Dependence on Key Personnel, Collaborative Partners, Licensors and Others

Satellos is highly dependent on its executive officers. Although Satellos has or will have formalized contractual or employment agreements with each of its executive officers, these agreements do not prevent them from terminating their engagement with Satellos at any time. The loss of the services of any of these persons could potentially harm Satellos' research, development and commercialization objectives and financial condition.

Satellos' success is also dependent on its ability to recruit, retain and motivate qualified scientific, drug development, clinical, project management, financial and business personnel. Satellos may not be able to attract and retain these personnel on a timely basis or on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. Satellos also experiences competition for the hiring of scientific and clinical personnel from universities and research institutions.

Satellos also depends on scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability.

Satellos' activities will require it to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing, and commercialization of its products. Satellos intends to attract corporate partners and enter

into additional research collaborations. There can be no assurance, however, that Satellos will be able to establish such additional collaborations on favorable terms, if at all, or that its current or future collaborations will be successful. Failure to attract commercial partners for its products may result in Satellos incurring substantial clinical testing, manufacturing, and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities. If any collaborative partner fails to successfully develop, manufacture, or commercialize any product to which it has rights, or any partner's product to which Satellos will have rights, Satellos' business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including Satellos' competitors, as a means for developing treatments for the diseases targeted by Satellos programs. Furthermore, Satellos may hold licenses for certain technologies and there can be no assurance that these licenses will not be terminated, or that they will be renewed on conditions acceptable to Satellos. Satellos may negotiate additional licenses in respect of technologies developed by other companies and academic institutions. Terms of license agreements to be negotiated may include, inter alia, a requirement to make milestone payments, which may be substantial. Satellos will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, may be responsible for the costs of filing and prosecuting patent applications. Should any of Satellos' licensees breach their regulatory, clinical, operational or legal requirements this may impact Satellos' reputation and/or ability to conduct its business or make progress as anticipated.

Regulatory Risks

Successful execution of the Company's business is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the operation of its business. Any delay in obtaining, or failure to obtain regulatory approvals would significantly delay the development of corporate objectives, which could have a material adverse effect on the Company`s business and financial condition.

Biotechnology and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of human diagnostic and therapeutic products is governed by numerous statutes and regulations in the United States, Canada, and other countries where Satellos intends to market its products. The subject matter of such legislation includes approval of manufacturing facilities, controlled research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labelling.

The process of completing clinical testing and obtaining required approvals is likely to take several years and require the expenditure of substantial resources. Furthermore, there can be no assurance that the regulators will not require modification to any submissions which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of Satellos to utilize its technology, thereby adversely affecting operations. Further, there can be no assurance that Satellos' therapeutic product candidates will prove to be safe and effective in clinical trials or receive the requisite regulatory approval. There is no assurance that Satellos will be able to timely and profitably produce its products while complying with all the applicable regulatory requirements. Foreign markets, other than the United States and Canada, generally impose similar restrictions.

Intellectual Property Risks

The Company may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual

property, know-how and other proprietary information, and require certain employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

The Company's success will depend on its ability to obtain and maintain patent and other intellectual property protection with respect to its product candidates. The Company and its licensors have sought to protect the Company's proprietary position by filing patent applications in the United States, Canada, and abroad related to its novel technologies and products that are important to its business. This process is expensive and time-consuming, and the Company may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. In addition, patents might not be issued or granted with respect to the Company's patent applications that are currently pending, and issued or granted patents might later be found to be invalid or unenforceable, be interpreted in a manner that does not adequately protect the Company's current product or any future products, or fail to otherwise provide the Company with any competitive advantage. The patent position of biotechnology and pharmaceutical companies is generally uncertain because it involves complex legal and factual considerations and in recent years has been the subject of much litigation. The standards applied by the United States Patent and Trademark Office and foreign patent offices in granting patents are not always applied uniformly or predictably. As a result, the issuance, scope, validity, enforceability and commercial value of the Company's and its partners' or licensors' patent rights are highly uncertain. The degree of future protection that the Company will have on its proprietary products and technology, if any, is uncertain and a failure to obtain adequate intellectual property protection with respect to the Company's product candidates and proprietary technology could have a material adverse impact on the success of its business.

Even if the Company's owned and licensed patent applications issue as patents, they may not issue in a form that will provide the Company with any meaningful protection, prevent competitors from competing with the Company or otherwise provide the Company with any competitive advantage, including not being listed in the FDA's Approved Drug Products With Therapeutic Equivalence Evaluations publication (commonly known as the *Orange Book*). The Company's competitors may be able to circumvent its owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and the Company's owned and licensed patents may be challenged in the courts or patent offices in Canada, the United States and abroad. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit the Company's ability to stop or prevent the Company from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of its technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, the Company's owned and licensed patent portfolio may not provide it with sufficient rights to exclude others from commercializing products similar or identical to the Company's.

Rapid Technological Change

The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render Satellos' proposed products or technologies non-competitive, or that Satellos will keep pace with technological developments. Competitors have developed or are developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the

desired therapeutic effect as compared with products to be developed by Satellos and could be more effective and less costly than the products to be developed by Satellos. In addition, alternative forms of medical treatment may be competitive with Satellos products.

Competition

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities are intense and is expected to increase. Potential competitors of Satellos have or may develop product development capabilities or financial, scientific, marketing, and human resources exceeding those of Satellos. Competitors may develop products before Satellos develops its own products, obtain regulatory approval for such products more rapidly than Satellos, or develop products which are more effective than those which Satellos intends to develop. Research and development by others may render Satellos' proposed technology or products obsolete or non-competitive or produce treatments or cures superior to any therapy developed or to be developed by Satellos, or otherwise preferred to any therapy developed by Satellos.

Status of Healthcare Reimbursement

Satellos' ability to successfully market certain diagnostic or therapeutic products may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Significant uncertainty exists as to whether newly approved healthcare products will qualify for reimbursement. Furthermore, challenges to the price of medical products and services are becoming more frequent. There can be no assurance that adequate third-party coverage will be available to establish price levels, which would allow Satellos to realize an acceptable return on its investment in product development**.**

Acceptance of Technology

The Company's success depends on the acceptance of its technology by the medical community and consumers as a safe and effective solution. The success of its technology will depend on its acceptance by potential consumers and the medical community. Because its technology is new, the long term effects of using its new technology are unknown. The results of short-term clinical trials do not necessarily predict long-term clinical benefit or reveal adverse effects. If results obtained from future commercial experience indicate that its technology is not as safe or effective as other treatments, adoption of this technology by consumers and the medical community may suffer and its business will be harmed.

Potential Product Liability

There is an inherent risk of product liability exposure related to the future evaluation of the Company's product candidates in human clinical trials. The Company's current product candidates have not been tested in human clinical trials, and therefore, safety data is limited and the data which has been generated to-date may not translate to humans. If the Company cannot successfully defend itself against claims that its product candidates or products caused injuries, it will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in decreased demand for any product candidates or products that it may develop, reputational injury and negative attention, withdrawal of clinical trial participants, significant costs to defend the related litigation, potential monetary awards to trial participants or patients, and lost or delayed product revenues. Such outcomes would be injurious to the Company's business.

Product liability insurance is costly, and availability is limited and may not be available on terms which would be acceptable to Satellos, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Satellos' products. A product liability claim brought against Satellos or withdrawal of a product from the market, could have a material adverse effect upon Satellos and its financial condition.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Pandemic Risk

The Company, its employees, consultants and third-party contractors could be affected by an epidemic or pandemic outbreak, either within a facility or within the communities in which they operate. The Company will develop and adopt policies and procedures in order to deal with any potential epidemic or pandemic outbreaks impacting its facilities. There can be no assurance that such policies and procedures will ensure that the Company's operations would not be adversely affected.

Unless contained, epidemics such as the ongoing COVID-19 pandemic could cause a slowdown in global economic growth and have a material adverse effect on the business, operations, financial condition and share price of the Company and could cause delays or disruptions to the achievement of the Company's goals and milestones. The continued spread of the virus could have a material adverse effect on the economies of the countries in which the Company operates. In addition, the ongoing COVID-19 pandemic has caused volatility on the TSXV, on which the Common Shares are listed. The continued adverse effects of the spread of COVID-19, if not contained, could have a material adverse effect on the business, operations and financial condition of the Company; however, the full extent and impact of the ongoing COVID-19 pandemic on the Company's operations cannot currently be ascertained, as it depends upon future developments which cannot be predicted, and includes, among other matters: the continued duration of the outbreak, the severity of the virus and the ability to treat it, the ability to collect sufficient data to track the virus and the collective actions taken to curb the spread of the virus.

The international response to the COVID-19 pandemic has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health measures have and continue to result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. For example, during the COVID-19 pandemic, global supply chain disruptions continue to be seen and have impacted the business of the Company.

Even though the Company has implemented business continuity measures to mitigate and reduce any potential impacts of the ongoing COVID-19 pandemic on its business, operations and financial condition, the continued spread of COVID-19, including the emergence of new variants, in the countries in which it

and its consultants and third-party contractors operate could have a material adverse impact on the Company's workforce and its continued operations.

In particular, the ongoing COVID-19 pandemic has the potential to delay or cause the termination of the drug development program, pre-IND studies and subsequent clinical studies. This could lead to delayed advancement of research and development and significant costs to replace data lost in the termination of pre-IND studies or clinical studies. These studies have significant inherent operational risks and the ongoing COVID-19 pandemic adds to that uncertainty in ways that are not predictable. The following are some ways that the Company could be adversely impacted by the ongoing COVID-19 pandemic:

- The Company and/or the Company's third-party contractors may experience labour shortages caused by sickness and/or the need to quarantine, potentially delaying key study activities and the time to completion/data read out of the study.
- There has and may continue to be delays to the Company's drug development program.
- The Company may not be able to commence or complete pre-IND studies due to the foregoing, which would ultimately delay the commencement of clinical trials in humans.
- Once clinical trials are underway, investigator sites may not be able to recruit and maintain clinical trial subjects which may delay the time to begin, conduct and complete the study. Clinical trial subjects may become infected with COVID-19 while participating in the study. This may result in the need for additional subjects to be recruited (increasing trial costs and delaying time to trial completion), or to an inability to make conclusions from the study data analyses.
- Volatility of global financial markets may impact the Company's ability to raise capital.
- It is not possible to estimate how long any delays might be, how much additional cost may be incurred, or the extent and impact of any missing data.

To date, the Company has been able to continue its operations with limited disruptions. We are closely monitoring the impact of the COVID-19 pandemic, including the emergence of variant strains of the virus, on our business, however, it is difficult to predict the future impact COVID-19 may have on our business, results of operations, financial position and cash flows. It is possible that estimates used in the preparation of the audited annual consolidated financial statements can change and may have a material impact.

Risk related to Russia and Ukraine

In February 2022, Russian military forces launched significant military action against Ukraine, and sustained conflict and disruption in the region continues. The war in Ukraine and the surrounding region has led and could lead to further disruption, instability, and volatility in global markets, increase inflation and further disrupt supply chains, which may materially and adversely affect our business. As a result of actions taken by Russia in Ukraine, actions have been taken by other countries and organizations, including new and stricter sanctions by Canada, the European Union and the United States against officials, individuals, regions, and industries in Russia, Ukraine and Belarus and the effects of disruptive events could affect the global economy and financial and commodities markets in ways that cannot necessarily be foreseen at the present time. These events could also exacerbate other pre-existing political, social and economic risks, including those described elsewhere in this MD&A and our AIF.

ADDITIONAL INFORMATION

Additional information related to Satellos, including the Company's AIF, is available by accessing the Company's SEDAR profile at www.sedar.com.