

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus (this “short form prospectus”) constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities qualified for distribution hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any applicable U.S. state securities laws, and may not be offered or sold to, or for the account or benefit of, “U.S. persons” or persons in the “United States” except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any of the securities offered hereby to, or for the account or benefit of, “U.S. persons” or persons in the “United States”. “United States” and “U.S. person” have the meanings ascribed to them in Regulation S under the U.S. Securities Act.

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in the Canadian provinces of British Columbia, Alberta and Ontario. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Satellos Bioscience Inc. at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J1, Telephone: (416)708-0522, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

April 18, 2023



SATELLOS BIOSCIENCE INC.

[\$●] ([●] Common Shares or Warrants)

Price: [\$●] per Common Share or per Warrant

Satellos Bioscience Inc. (the “Company” or “Satellos” or “we” or “our”) is hereby qualifying for distribution up to [●] common shares (the “Common Shares”) of the Company at a price of [\$●] per Common Share (such price, the “Offering Price”, and such Common Shares, the “Offered Shares”). In lieu of an Offered Share, purchasers may elect to purchase one pre-funded common share purchase warrant of the Company (each, an “Offered Warrant”) at the Offering Price. Each Offered Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Common Share in the capital of the Company (each, a “Warrant Share”) until 4:30 p.m. (Toronto time) on the date that is 60 months from the Closing Date (as defined herein). The exercise price of the Offered Warrants will be pre-funded except for a nominal exercise price of \$0.00001 per Warrant Share. The Offered Warrants may be exercised on a “net” or “cashless” basis.

The distribution of the Offered Shares and Offered Warrants and the Compensation Options (as defined herein) qualified by this short form prospectus is referred to herein as the “Offering”. See “Description of Offered Securities”.

The Offering is made on a commercially reasonable “best efforts” agency basis pursuant to the terms and conditions of an agency agreement (the “Agency Agreement”) to be entered into between Bloom Burton Securities Inc. (the “Agent”) and the Company.

The Company may be considered a “connected issuer” of the Agent under applicable Canadian securities laws. The Agent is an affiliate of Bloom Burton Development Corporation and Bloom Burton & Co. Inc., each of

whom either beneficially owns or exercises control and direction over securities of the Company. In addition, Brian Bloom, a director of the Company, is also an officer and director of the Agent and, together with Jolyon Burton, exercises joint control and direction over all Bloom Burton entities. The Bloom Burton entities and Brian Bloom together, hold approximately 18.1% of the issued and outstanding common shares of Satellos and approximately 17.1% on a fully diluted basis. See “*Relationship Between the Company and the Agent*”.

The outstanding Common Shares are listed and posted for trading on the TSX Venture Exchange (the “TSXV”) under the symbol “MSCL”. On April 17, 2023, the last trading day on the TSXV prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.53. The Company will apply to the TSXV to list the Offered Shares, the Warrant Shares and the Compensation Option Shares (as defined herein) distributed under this short form prospectus on the TSXV. There can be no assurance that the securities offered pursuant to this short form prospectus will be accepted for listing on the TSXV. The Company does not intend to apply to list the Offered Warrants on any securities exchange. **There will be no market through which the Offered Warrants may be sold and purchasers may not be able to resell the Offered Warrants purchased in the Offering. This may affect the pricing of the Offered Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered Warrants and the extent of issuer regulation.** See “*Risk Factors*”.

Pursuant to the terms of the Agency Agreement, the Offered Shares and the Offered Warrants will be issued and sold in the provinces of British Columbia, Alberta and Ontario by the Agent. The Offered Shares and the Offered Warrants will be offered in each of such provinces through the Agent or its affiliates who are registered to offer the securities for sale in such provinces and such other registered dealers as may be designated by the Agent. The Offered Shares and the Offered Warrants may also be offered for sale to, or for the account or benefit of, persons in the United States and U.S. persons by or through one or more United States registered broker-dealers affiliated with or appointed as sub-agents by the Agent (each a “**U.S. Placement Agent**”), under certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, the Agent is entitled to offer the Offered Shares and the Offered Warrants outside of Canada and the United States to non-U.S. persons, provided that the Agent shall not take any action in connection with the distribution of the Offered Shares or the Offered Warrants that would result in the Company being obligated to comply with the prospectus, registration, reporting or other similar requirements of the securities laws of any jurisdiction. See “*Plan of Distribution*”.

An investment in the securities offered hereunder is speculative and involves a high degree of risk. The risk factors identified in this short form prospectus and the documents incorporated by reference herein should be carefully reviewed and evaluated by prospective investors before purchasing the securities being offered hereunder. See “*Risk Factors*” in this short form prospectus and the documents incorporated by reference herein.

	Price to the Public	Agent’s Commission ⁽¹⁾	Net Proceeds to the Company ⁽²⁾
Per Offered Share or Offered Warrant.....	\$[●]	\$[●]	\$[●]
Total	\$[●]	\$[●]	\$[●]

Notes:

- (1) The Company has agreed to pay the Agent, on the Closing Date, a commission (the “**Agent’s Commission**”) equal to 7% of the aggregate gross proceeds of the Offering. In addition to the Agent’s Commission, the Company will issue to the Agent, on the Closing Date, compensation options (“**Compensation Options**”) to purchase such number of Common Shares (the “**Compensation Option Shares**”) as is equal to 7% of the aggregate number of Offered Shares and Offered Warrants issued pursuant to the Offering. Each Compensation Option, shall entitle the Agent to acquire one Compensation Option Share at an exercise price of \$[●], subject to adjustment, for a period of 24 months following the Closing Date. See “*Plan of Distribution*”. This short form prospectus also qualifies the distribution of the Compensation Options.
- (2) After deducting the Agent’s Commission, but before deducting expenses of the Offering (including listing fees) estimated to be approximately \$550,000, which will be paid from the gross proceeds of the Offering.

In connection with the Offering, and subject to applicable laws, the Agent may effect transactions that are intended to stabilize or maintain the market price of the Common Shares at levels other than that which might otherwise prevail in the open market. **Such transactions, if commenced, may be discontinued at any time.** See “*Plan of Distribution*”.

The following table sets out the number of Compensation Options that may be issued by the Company to the Agent:

Agent’s Position	Number of Compensation Options	Exercise Period	Exercise Price
Compensation Options	[•] Compensation Options	24 months following the Closing Date	\$[•] per Compensation Option Share

Subscriptions for Offered Shares and Offered Warrants will be received by the Agent subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is anticipated that the Offered Shares will be issued in “book-entry only” form and represented by a global certificate or certificates, or be represented by uncertificated securities, registered in the name of CDS Clearing and Depositary Services Inc. (“CDS”) or its nominee, and will be deposited with CDS. Except in limited circumstances, no beneficial holder of Offered Shares will receive definitive certificates representing their interest in the Offered Shares. Beneficial holders of Offered Shares will receive only a customer confirmation from the Agent or another registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is acquired. Certain other holders may receive definitive certificates representing their interests in the Offered Shares. Certificates representing the Offered Warrants will be in definitive form and available for delivery to purchasers at the Closing Date of the Offering. The Company expects that delivery of the Offered Warrants will be made against payment therefor on or about the Closing Date.

The Offering Price will be determined by arm’s length negotiation between the Company and the Agent, with reference to the prevailing market price of the Common Shares. The closing of the Offering is expected to occur on or about May 4, 2023, or such later date as may be agreed upon by the Company and the Agent, which date will be no more than 10 days following the date the Company receives a receipt or deemed receipt from the applicable Canadian securities regulators for the filing of the final prospectus filed in connection with the Offering (the “**Closing Date**”). **There is no minimum amount of funds that must be raised under this Offering. This means that the Company could complete the Offering after raising only a small portion of the Offering amount set out above.**

There can be no assurance that any or all of the Offered Shares or Offered Warrants being offered will be sold. See “*Plan of Distribution*”.

The Offering is not underwritten or guaranteed by any person. The Agent, as principal, conditionally offers the Offered Shares and Offered Warrants, subject to prior sale, if, as and when issued by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*”, and subject to approval of certain legal matters on behalf of the Company by Mintz LLP, with respect to Canadian legal matters, and on behalf of the Agent by Baker & McKenzie LLP, with respect to Canadian legal matters. The U.S. Placement Agents that may be appointed by the Agent will not be registered as dealers in any Canadian jurisdiction and, accordingly, they will not, directly or indirectly, solicit offers to purchase or sell the Offered Shares or Offered Warrants in Canada.

You should rely only on the information contained or incorporated by reference in this short form prospectus. The Company and the Agent have not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this short form prospectus and the documents incorporated by reference herein. **Information contained on the website of the Company shall not be deemed to be a part of this short form prospectus or incorporated herein by reference and should not be relied upon by prospective investors for the purpose of determining whether to invest under the Offering.** The Company is offering to sell, and seeking offers to buy, the Offered Shares and the Offered Warrants only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. The Company does not undertake to update information contained or incorporated by reference in this short form prospectus, except as required by applicable securities laws.

Prospective investors should be aware that the acquisition or disposition of the Offered Shares or the Offered Warrants described herein may have tax consequences in Canada. This short form prospectus may not describe these tax consequences fully. You should consult and rely on your own tax advisor with respect to your own particular circumstances. See “*Certain Canadian Federal Income Tax Considerations*” in this short form prospectus.

Geoff MacKay, William (Bill) Jarosz, Dr. William (Bill) McVicar and Adam Mostafa, all being directors of the Company, reside outside of Canada (the “**Non-Resident Directors**”). The Non-Resident Directors have appointed the following agent for service of process:

<u>Name of the Non-Resident Director</u>	<u>Name and Address of Agent</u>
Geoff MacKay	Satellos Bioscience Inc.
William (Bill) Jarosz	Royal Bank Plaza, South Tower
Dr. William (Bill) McVicar	200 Bay St., Suite 2800
Adam Mostafa	Toronto, Ontario
	M5J 2J1

Purchasers are advised that it may not be possible for investors to enforce judgements obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See “*Risk Factors*”.

Unless otherwise noted, all currency amounts in this short form prospectus are stated in Canadian dollars.

The Company’s head and registered office is located at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J1 and its telephone number is (416) 708-0522.

No Canadian securities regulator has approved or disapproved of the securities offered hereby, passed upon the accuracy or adequacy of this short form prospectus or determined if this short form prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

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IMPORTANT NOTICE ABOUT THE INFORMATION IN THIS SHORT FORM PROSPECTUS

General Advisory

You should rely only on the information contained or incorporated by reference in this short form prospectus. Neither the Company nor the Agent has authorized anyone to provide you with different or additional information. Neither the Company nor the Agent is making an offer of the Offered Shares or Offered Warrants in any jurisdiction where the offer is not permitted by law. If anyone provides you with any different or inconsistent information, you should not rely on it. You should not assume that the information contained in or incorporated by reference in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus with respect to information contained herein and, with respect to information incorporated by reference, the date of such document so incorporated. The Company's business, financial condition, results of operations and prospects may have changed since those dates.

Market and Industry Data

Certain independent third party and industry data contained (or incorporated by reference) in this short form prospectus is based upon information from government or other independent industry or scientific publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but none of the Company nor the Agent, nor any of their representatives, have conducted their own independent verification of such information. While the Company and the Agent believe this information to be reliable, third party information is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and uncertainties inherent in any statistical or scientific survey. In addition, this third party information has been prepared as of a specific date and therefore does not contemplate changes in facts and circumstances following such date. None of the Company nor the Agent nor any of their representatives has independently verified any of the research, findings or data from independent third party sources referred to in this short form prospectus or ascertained the underlying assumptions relied upon by such sources. Unless specifically stated, none of the third party information cited in this short form prospectus is incorporated by reference herein. All third party information source references are provided for the reader's convenience only and do not form a part of this short form prospectus.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference in this short form prospectus 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 short form prospectus 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", "estimates", "predicts", "continues", "potential", "targeted", "plans", "possible" 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 "*Risk Factors*", represent the Company's estimates only as of the date of this short form prospectus 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. These forward-looking statements may concern anticipated developments in the Company's operations in future periods, the adequacy of the Company's financial resources and other events or conditions that may occur in the future, and include, without limitation, statements regarding:

- 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 applications;
- 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 conducted by other parties;
- 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;
- 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 regimens;
- 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 and commercialization of OralTrans™ (as defined below);
- 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 short form prospectus, 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 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 herein under the heading "*Risk Factors*". 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.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer of the Company at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J1, Telephone: (416) 708-0522. These documents are also available through the internet under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") which can be accessed at www.sedar.com. The following documents, filed with the various securities commissions or similar authorities in each of the provinces of British Columbia, Alberta and Ontario, are specifically incorporated by reference into and form an integral part of this short form prospectus (collectively, the "**Documents Incorporation by Reference**"):

1. the annual information form of the Company for the year ended December 31, 2021, dated May 27, 2022 (the "**AIF**");
2. the audited annual consolidated financial statements of the Company as at and for the years ended December 31, 2022 and 2021, and the auditor's report thereon and notes thereto (the "**Annual Financial Statements**");
3. the management's discussion and analysis of the Company for the years ended December 31, 2022 and 2021 dated March 29, 2023 (the "**Annual MD&A**");
4. the management information circular of the Company dated May 17, 2022 relating to the annual and special meeting of the shareholders of the Company held on June 16, 2022;
5. the material change report of the Company dated July 20, 2022 relating to its filing of a preliminary short form prospectus on July 11, 2022 with applicable securities regulators in British Columbia, Alberta and Ontario in connection with its best efforts offering of units of the Company;
6. the material change report of the Company dated March 31, 2023 relating to its non-brokered private placement offering of 10% unsecured non-convertible debenture units for gross proceeds of \$2,385,000; and
7. the template version of the indicative term sheet for the Offering dated April 18, 2023.

Material change reports (other than confidential reports), business acquisition reports, interim financial statements, annual financial statements, annual information forms and all other documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this short form prospectus shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any subsequently filed document which also is or is deemed to be incorporated by reference in this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document or statement that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement

so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

Any “template version” of any “marketing materials” (as such terms are defined under applicable Canadian securities laws) that are used by the Agent in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR after the date of the final short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this short form prospectus.

THE COMPANY

Satellos Bioscience Inc. was incorporated under the *Canada Business Corporation Act* (the “**CBCA**”) on July 27, 2012 as Adurant Therapeutics Inc. (“**Pre-Arrangement Satellos**”). On February 22, 2018, Pre-Arrangement Satellos filed Articles of Amendment changing its name to Satellos Bioscience Inc. Pre-Arrangement Satellos then amended its capital structure by filing Articles of Amendment on March 28, 2018.

iCo Therapeutics Inc. (“**iCo**”) was incorporated under the *Business Corporations Act* (British Columbia) on April 20, 2006 under the name “Beanstalk Capital Corporation”. iCo changed its name to “Beanstalk Capital Ltd.” in connection with its Qualifying Transaction (as such term is defined in Policy 2.4 of the TSXV). iCo’s Qualifying Transaction involved a reverse take-over transaction by way of statutory arrangement involving a wholly-owned subsidiary of iCo known as 4448073 Canada Inc. and a company formerly known as iCo Therapeutics Inc.

On August 13, 2021, Pre-Arrangement Satellos and iCo completed a plan of arrangement (the “**Arrangement**”) under section 192 of the CBCA, pursuant to which, among other things, iCo acquired all of the issued and outstanding shares of Pre-Arrangement Satellos. In connection with the Arrangement, iCo (now, Satellos): (a) was continued under the CBCA; (b) amalgamated with Satellos to form the Company as it now exists, which continues to carry on the pre-Arrangement business of Pre-Arrangement Satellos and iCo; and (c) consolidated its outstanding Common Shares on a 20:1 basis. The Common Shares trade on the TSXV under the trading symbol “MSCL”.

The Company has two wholly owned subsidiaries, Amphotericin B Technologies, Inc. (an entity incorporated under the *Business Corporations Act* (British Columbia)) (“**Amp B**”) and iCo Therapeutics Australia Pty Ltd. (an entity incorporated under the laws of Australia).

The Company’s head office is located at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J1, and the Company’s registered and records office is located at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J1.

SUMMARY DESCRIPTION OF BUSINESS

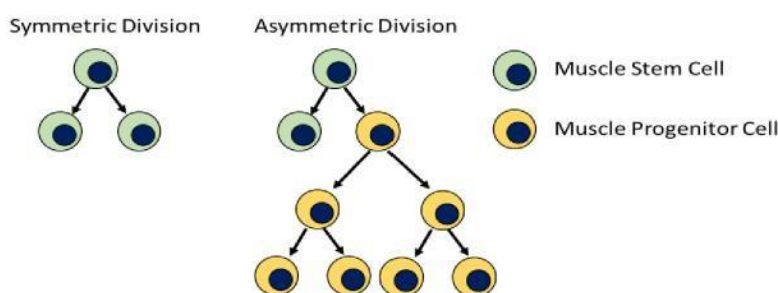
Satellos is a drug discovery and development company with a focus on muscle regeneration. Since completion of the Arrangement, Satellos is generally comprised of two broad drug development portfolios: (1) intellectual property, trademarks and know-how which was previously owned and under development 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 disease modifying therapeutic drugs for the treatment of severe muscle conditions of unmet medical need. Our core technology stems from the Satellos Portfolio, which is based on

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. Multiple peer reviewed publications from Dr. Rudnicki's lab (the "**Rudnicki Lab**") at the Ottawa Hospital Research Institute (the "**OHRI**") have advanced the understanding of the identity and behavior of muscle stem cells including their role in health and disease. For instance, the Rudnicki Lab was the first to define so called muscle stem cells (a.k.a. 'satellite stem cells') and characterize a sub-population as bona fide multipotent stem cells capable of both self-renewal and regeneration (Source: Kuang et al., 2007, Cell). Dr. Rudnicki was also first to demonstrate that such stem cells exist as a special body of cells capable of regeneration, and subsequently elucidate their biological mechanism of action and identify means to modulate their activity. He further linked deficiencies in muscle stem cell function directly to the pathology of Duchenne as a potential causal factor in the progressive muscle destruction that occurs in this lethal disease (Source: Dumont et al., 2015, Nature Medicine). The basic principle governing how muscle stem cells functionally contribute to muscle regeneration and homeostasis is depicted below in Figure 1.

Figure 1: Muscle stem cells undergo symmetric or asymmetric divisions in response to injury stimuli. Muscle progenitor cells are generated to produce new muscle tissue or repair injured muscle.



Fundamentally, symmetric divisions result in two identical copies of the stem cell through the process of self-renewal. Asymmetric stem cell divisions, by contrast, result in one stem cell being produced and one daughter cell, committed to eventual differentiation, called a progenitor muscle cell. Progenitor muscle cells then undergo normal mitosis to generate potentially thousands of new cells that ultimately incorporate into functional muscle tissue. Findings from the research of Dr. Rudnicki have linked deficits in either symmetric or asymmetric division to multiple muscle wasting and degenerative diseases. Related to this research, the Company has licensed issued patents and pending patent applications from the OHRI pursuant to a license agreement (the "**License Agreement**").

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 molecular 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**"). Deploying MyoReGenX™ to build on the identification and discovery of disease specific deficiencies in either symmetric or asymmetric stem cell divisions in the Rudnicki Lab (Source: Feige et al. 2018, Cell Stem Cell.), Satellos has identified several additional molecular pathways and corresponding 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 in its drug discovery and development programs, commencing with Duchenne.

Lead Development 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 one in 4,000 male births per year, worldwide. Early signs of motor impairment and delays in motor related milestones emerge in Duchenne between the ages of two to five years. Rapid disease progression and muscle weakening typically ensue, resulting in patients generally being wheelchair bound by the age of 12. Generally, by the third decade of life, these patients may experience respiratory failure, the inability to

breathe due to weakness in the muscles of the diaphragm, and heart failure, the leading causes of death in Duchenne. There is no known cure for Duchenne and existing treatments are largely palliative or only partially effective.

Duchenne is caused by a change or mutation in the dystrophin gene that results in the loss of the dystrophin protein. Recently, Dr. Rudnicki demonstrated that muscle stem cells, as a direct result of the loss of the dystrophin protein, are unable to divide properly – affecting their innate function of regenerating muscle (Source: Dumont et al. 2015, Nature Medicine.). These findings suggest that, in addition to its commonly recognized role in stabilizing muscle, the dystrophin protein has a second, previously unrecognized role as a signal transduction molecule which provides the rationale for attempting to compensate for the loss of this signaling role therapeutically. Subsequently, the Rudnicki Lab has shown experimental proof of concept (“POC”) that modulation of the EGFR (Epidermal Growth Factor Receptor) signaling pathway could achieve restoration of muscle stem cell asymmetric division.

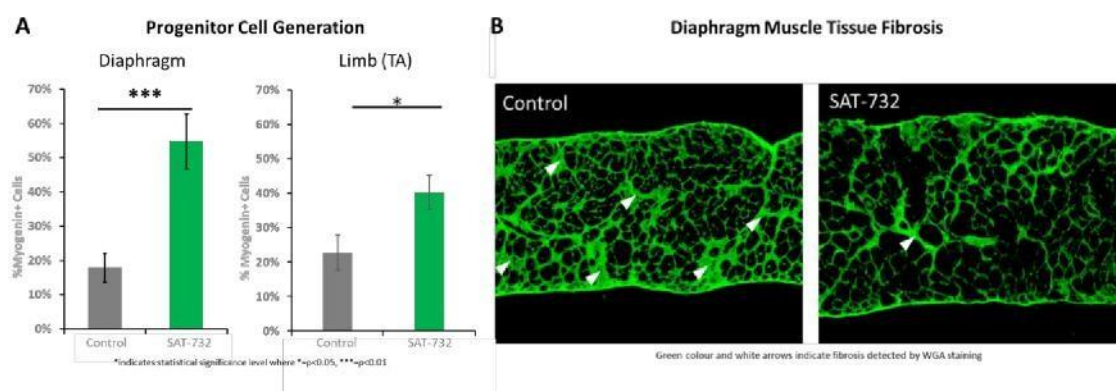
Supporting our assertion that dysregulation of muscle stem cells is relevant to Duchenne pathogenesis, it was recently reported that amongst a large cohort of over 400 Duchenne patients – some of whom maintained ambulation for a decade or longer than the majority of their peers – genetic factors implicating effects on polarity and the regulation of muscle stem cell regeneration were identified within the ambulatory population. (Source: Flanigan et al. European Journal of Human Genetics; <https://doi.org/10.1038/s41431-023-01329-5>).

Satellos has generated 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 model, treatment with “SAT-732”, a preliminary small molecule drug candidate which was designed by Satellos to inhibit an enzyme target code-named “PTPX” (for reasons of confidentiality), restored muscle regeneration capacity and muscle strength to near normal levels. In addition, results from this study over the course of a four-week treatment period with SAT-732 generated statistically significant effects on asymmetric division and muscle quality, as shown in Panels A & B, respectively, in Figure 2 below.

Figure 2: SAT-732 Exemplar Efficacy Data.



Panel A: Resulting changes in *Mdx* diaphragm and tibialis anterior (limb) muscle. Statistically significant increase in progenitor cells as measured by Myogenin expression after treatment with SAT-732 versus placebo control. **Panel B:** Representative images of *Mdx* diaphragm muscle showing statistically increased muscle diameter and reduced fibrosis after treatment with SAT-732 versus placebo control.

Satellos also generated preliminary data demonstrating that SAT-732 shows potential for a favorable safety profile, as evidenced by lack of off-target activity in industry-standard panels of targets designed to indicate potential for undesired off-target effects (e.g., Eurofins Panlabs SafetyScreen44). Subsequently, 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 subsequent review of the data in its model systems, the Company 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 the Company believes has the potential to outpace and exceed the PTPX Program. **Consequently, the Company decided to deprioritize the PTPX Program and focus further development activities for the current time on to the “K9 Program” described in the section below.**

- ***K9 Program in Duchenne***

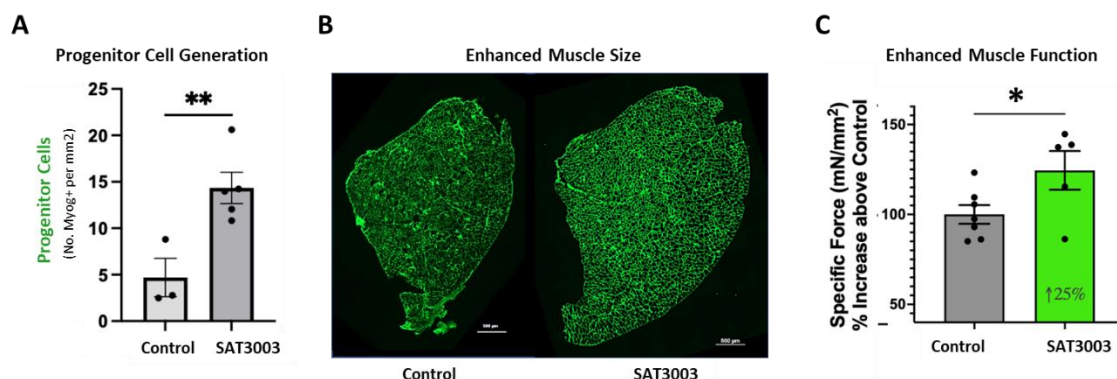
Notwithstanding efforts related to PTPX, and as described in its Annual MD&A, the Company identified additional biological pathways and potential drug targets deploying its MyoReGenX™ discovery platform which, it believes, may represent similarly and possibly more effective approaches for the modulation of muscle stem cell divisions leading to the development of a new treatment for Duchenne. The Company has pursued a systematic, siRNA-based interrogation of molecular signaling 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 multiple molecular signaling pathways that it believes have the capacity to modulate asymmetric stem cell divisions and muscle regeneration. Further, the Company filed for intellectual property protection on what it considers its highest priority discoveries.

The protein drug target codenamed “K9”, for reasons of confidentiality, is a novel target for the modulation of muscle stem cell polarity. It functions through its involvement in a molecular signaling pathway known as “Notch”. The Notch molecular signaling 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 signaling, 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.

From preliminary experimental work by the Company, in which K9 was inhibited using genetic means, we demonstrated modulation of Notch signaling in muscle stem cells and restoration of asymmetric divisions, muscle stem cell polarity and regeneration of skeletal muscle. K9 inhibitors have previously been described for non-muscle related disease indications and have demonstrated acceptable safety profiles thus far in two Phase 1 and two Phase 2 human clinical trials spanning hundreds of patients.

The Company has synthesized known small molecule inhibitors of K9 as ‘reference’ compounds (**i.e., not compounds owned or controlled by Satellos**) to be used for the purpose of informing its in-house drug discovery and development efforts, with a particular emphasis on generating POC data it could use to confirm its hypothesis and establish benchmarks for developing its own, proprietary drug candidates. Treating *Mdx* mice with one such reference compound, which the Company named SAT-3003 solely for the purposes of confidentiality and internal tracking, produced similar results as previously seen with SAT-732 though in a shorter time frame of only two (2) versus four (4) weeks of treatment. Effects on progenitor generation, muscle size and muscle function are shown in Figure 3 below.

Figure 3: 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 versus placebo control. **Panel B:** Representative images of Mdx Tibialis anterior muscle showing statistically increased muscle fiber area after treatment with SAT-3003 versus placebo control. **Panel C:** Resulting changes in Mdx tibialis anterior muscle specific force generation. Muscles from mice treated with SAT-3003 versus 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 and development infrastructure (as described in the below section titled “**Drug Discovery and Development: Infrastructure**”) to inform its strategic efforts to identify 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. Satellos plans to assess, prioritize and advance the most attractive of these potential drug candidates in further PK, ADME, dose finding and efficacy studies, see “**Use of Proceeds**”.

On January 3, 2023, Satellos nominated SAT-3153 as its pre-IND development lead drug candidate (“DC”). The Company believes SAT-3153 meets the primary characteristics of our desired TPP for clinical testing in humans as a potential therapeutic treatment for 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.

The Company, in collaboration with the OHRI, arranged for the filing of patent applications to provide intellectual property protection for selected pathways, prospective drug targets and inhibitors related thereto. On June 29, 2022, the Company amended its License Agreement with OHRI to add a specific patent application related to Notch, K9 and inhibitors thereof for the purpose of regeneration.

For further information, see “Recent Developments”.

Drug Discovery and Development: Infrastructure

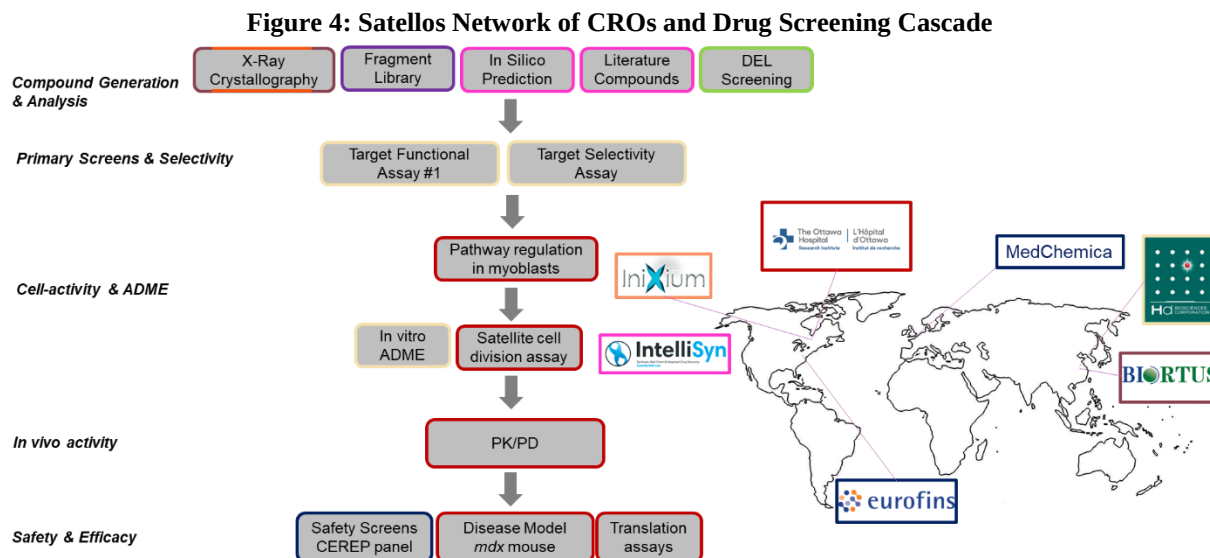
Satellos is building on its science and discoveries to create the first ever therapy intended to regulate muscle stem cell driven regeneration capacity and, potentially, address what we believe to be a potential root cause of the progressively degenerating nature of Duchenne. Specifically, our goal is the discovery and development of a first-in-class, small molecule orally administered drug.

To achieve this goal, Satellos has established an in-house team of drug development professionals to oversee its workplan and manage its infrastructure. During 2022, Dr. James Jaquith, an experienced medicinal chemist with a strong background and twenty (20) years of experience in drug discovery, was appointed Senior Director – Medicinal Chemistry and Drug Discovery. He leads our K9 drug discovery initiative and oversees a discovery and development team that has averaged 12 scientists throughout 2022 across the Company’s CRO network. Dr. Jaquith reports directly to Dr. Phil Lambert, Chief Technology Officer of Satellos. Dr. Lambert, whose extensive drug development experience includes the transition and translation of over 20 drug candidates from discovery to clinical development, joined the Company on September 28, 2022. Dr. Sridhar Narayan, previously Vice-President – Drug Discovery and Program Management, remains an advisor to Satellos.

Satellos has also established and continues to enhance a customized drug development infrastructure comprising an interleaved cascade of proprietary assays and a network of specialized contract research organizations (“CROs”).

These assays span from procurement and generation of chemical matter all the way through to demonstrating preclinical efficacy. Chemical compounds that progress through this process are evaluated for: (1) the specific inhibition of the particular drug target which we identify as being of interest; (2) their ability to regulate the associated signal transduction cascade that affects asymmetric stem cell division and progenitor cell production; (3) their physico-chemical behaviour once injected into living animals; and ultimately (4) their ability to alter the disease course in representative Duchenne preclinical models. Our CROs were selected following a competitive process for their unique expertise in a range of drug development skills such as: (a) drug fragment screening; (b) in silico drug screening; (c) chemical synthesis; (d) biomolecular assay development; (e) x-ray crystallography; and (f) DNA encoded library screening.

The assays and CRO network are depicted below in Figure 4.



- **Drug Discovery and Development – Current Status**

The core aspect of inventing a compound that achieves the objectives set out by a TPP is a process known as lead optimization (“**LO**”). This is an iterative process accomplished through successive cycles of modifications of the chemical structures of compounds to produce improved chemical analogues that meet the desired criteria for *in vitro* activity, *in vivo* efficacy, and safety. Each cycle, conventionally referred to as design-make-test (“**D-M-T**”), consists of three components:

Design: New compounds are designed for synthesis based on test data and analysis of prior compounds.

Make: Compounds designed in the design phase are synthesized in the laboratory for rapid testing in the below.

Test: Newly synthesized compounds are tested in various assays in the cascade and data generated is fed back to inform the above.

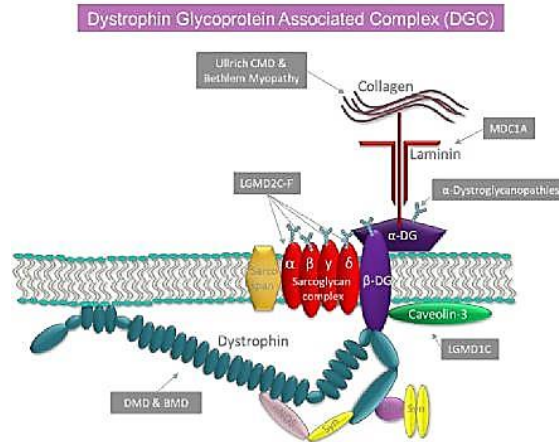
Satellos has completed several D-M-T cycles. Satellos has established a breadth of novel chemistry, first related to modulators of PTPX which is now on hold, and subsequently with the generation of three distinct chemical series describing many dozens of inhibitors of K9. For convenience, these have been labelled as Series A, B and C. Series A has a core structure which we believe is highly suitable for which we have modified with a particular focus on increasing target selectivity by substitutions on both the left and right-hand sides to meet our TPP and desire for novelty. X-ray crystallography has been critical in the identification of target-compound interactions and the development of structure activity relationships in targeting these substitutions. Series B and C have been designed to broaden the Company’s range of chemistries for competitive reasons (i.e., to capture as much IP space as possible thus making it difficult for others to follow), to generate a back-up series of compounds and a back-up lead development candidate, and to expand to additional disease areas. The Company believes it has identified intellectual property white space, and novel compounds within the space, from each of the compound series and are working with patent counsel to draft and submit patent applications to protect our compound discoveries.

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 ranging in severity from benign, small impairments to motor function, to the full loss of ambulation, or 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 (“**DGC**”), pictured in Figure 5 below. Satellos has initially identified several forms of muscular dystrophy where it believes the Company’s mechanism of action may provide a therapeutic benefit to patients. Satellos considers some of these dystrophies may have potential as indication (i.e., use) expansion and market growth opportunities.

On January 3, 2022, as part of the Company’s plan to explore the potential for its drug candidates in other dystrophic conditions, Satellos entered into a sponsored research agreement (the “**UdeS Agreement**”) with the Université de Sherbrooke (“**UdeS**”). Under the UdeS Agreement, 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 one in 50,000 and one in 400,000 births) and Collagen-VI Related Muscular Dystrophy (prevalence of severe form of the disease estimated to be one 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.

Figure 5: Dystrophin Glycoprotein Associated Complex and Associated Muscular Dystrophies



Numerous dystrophies, highlighted in the DGC image above, are known to be characterized by an underlying disease gene which normally produces a protein that interacts via the DGC with dystrophin. Thus, in diseased individuals where the function of these proteins is disrupted, the function of the DGC complex may well be disrupted as well. Satellos has prioritized several of these dystrophies where we believe our mechanism of action may provide a therapeutic benefit to patients. These disease indications are shown in the Table 2 below.

Condition	Epidemiology*
Collagen VI MD (Ullrich & Bethlem)	1 in 143,000
LAMA2 MD (MDC1A)	1 in 50-400,000
Limb Girdle MD (LGMD##)	1 in 15-120,000
Dystroglycanopathies	1 in 50-100,000

Table 2. *These figures are estimates based on the current information known to health authorities, patient registries, and advocacy groups and are subject to change, and may or may not reflect the actual prevalence of these conditions.

As these diseases represent orphan or Ultra-orphan Indications, generally with few if any viable treatment options, reliable market data does not exist. To overcome this challenge, we have instead opted to include a table of epidemiology data to illustrate potential patient pool sizes. Satellos believes these conditions could serve as indication expansion and thus, market growth opportunities for our therapeutic drugs. Accordingly, Satellos plans to experimentally evaluate these conditions, to determine the extent to which impaired muscle stem cell divisions arise and whether our therapeutic drug candidates may be of benefit.

Potential Market Opportunity

No treatment approach for Duchenne has demonstrated long-lasting disease-modifying potential to-date. Based on the potentially transformative nature of our technology in treating a potential root cause of the progressive muscle loss in Duchenne, Satellos sees significant market potential for its products. We estimate that a novel chronically delivered therapeutic with disease modifying potential such as Satellos envisages could be priced in excess of US\$100,000 annually. Based on the foregoing estimates, with a potential patient population of 21,500 persons, the annual revenue potential for an effective, disease modifying drug treatment for Duchenne could exceed \$1 billion per year*.

* Using prevalence estimations and census data, the Company has estimated the combined Duchenne patient population across all ages to be approximately 21,500 persons in the major pharmaceutical markets of Canada, the US, the EU and Japan (together, the "Major Markets"). The current market for therapeutics to treat Duchenne is US\$0.7B (Source: [Drugs.com/price-guide/emflaza](https://www.drugs.com/price-guide/emflaza)) with projected growth estimates

ranging to US\$2B to \$13B as newer therapeutics, such as microdystrophin gene replacement therapies, are developed and come to market. Current standard of care in Duchenne consists of anti-inflammatory corticosteroid treatment, often prescribed to start from ages 7-10 and continuing for life as chronic therapy. The principal corticosteroid drug is Deflazacort, marketed by PTC Therapeutics with an annual patient cost in the US\$100,000 range (Source: [Drugs.com/price-guide/emflaza/](https://www.drugs.com/price-guide/emflaza/)). While playing an important role in alleviating inflammation which has been associated with a prolongation of mobility, corticosteroids do not treat an underlying cause of Duchenne and are associated with a myriad of serious side effects. A newer approach is exon skipping which attempts to address a root cause through the technique of skipping over the mutated exon. One recently approved exon-skipping drug therapy, Exondys 51, carries an annual cost of approximately US\$600,000 (Source: [Drugs.com/price-guide/exondys-51/](https://www.drugs.com/price-guide/exondys-51/)). It is approved in the US and indicated only for patients with an exon 51 mutation, which is about 12% of the Duchenne population. Presently in development are gene therapy products intended to deliver a portion of the normal dystrophin gene that, when mutated, causes Duchenne into muscle fibers through a viral delivery system. It is expected these therapies, if approved, will be priced in excess of US\$1,000,000. They are not curative and will not be suitable for all patients for reasons which include possible immune system reactions to the viral vectors and low levels of transfected muscle fibers. Growth estimates by market analysts are high, with an estimated compound annual growth rate of approximately 41% (Source: Grandview Research Market Analysis Report Duchenne Muscular Dystrophy Drugs Market Size) for these and other products currently in development. Based on these factors and the potential for the Company's future small molecule therapeutic drug treatment -- which would not be restricted by genetic mutations or limited by immune system concerns -- to reset the body's capacity to regenerate muscle with the goals of (a) modifying the course of the disease to increase functionality and possibly longevity and (b) reducing the need for corticosteroid treatment in a less damaged muscle environment, the Company believes its prospective drug products have the potential to command a substantial price premium to corticosteroids and will be desired by patients and their advocates. The Company has based its projections on an annual patient cost of US\$100,000. The Company further assumes, given the dire need in the community for treatments which can alter the course of the disease, it will see a rapid uptake to 50% of the estimated potential patient population of 21,500 persons in Major Markets, which the Company believes makes \$1 billion per year in annual revenue a reasonable expectation. This does not take into account the potential to expand into allied muscular dystrophies such as Beckers or others with the same drug, which is part of the Company's plan. Nor does this projection take into account the potential to expand into additional pharmaceutical markets.

Second Drug Development Program

In addition to Lead Program that is centered on the promotion of muscle stem cell asymmetric division in Duchenne and potentially other disease indications, Satellos has licensed a large body of intellectual property from the OHRI related to compositions and methods for promoting symmetric division of muscle stem cells through the action of a naturally occurring protein called Wnt7a. Prior to discovering the specific deficits related to muscle stem cell asymmetric division in Duchenne, Dr. Rudnicki made numerous discoveries surrounding the signaling pathway that controls symmetric division of muscle stem cells, namely, the Wnt7a planar cell polarity pathway.

Research from Dr. Rudnicki's laboratory demonstrated that administration of Wnt7a protein to muscle stem cells has potential to regulate symmetric stem cell division, rather than asymmetric stem cell division which is what Satellos is 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 for 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 molecular signaling pathway and putative 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.

Stimulating symmetric division of muscle stem cells for the purposes of enhancing regeneration represents a prospective treatment strategy in other muscle wasting conditions and ageing. Satellos has surveyed the scientific literature and identified a number of potential indication areas that may warrant future follow up through the design and execution of preliminary preclinical experimentation. Table 3 below is a summary of some of our findings:

Table 3. Target indications for a symmetric division program

Condition	Epidemiology*	Potential Approach
<i>Hip/Knee Replacement Surgery</i>	Nearly 1 million knees and hips are replaced each year in the US (Source: Kremers et al. 2015. The Journal of Bone and Joint Surgery.)	Improve muscle recovery time, prevent slips, trips, falls
<i>Stress Urinary Incontinence</i>	Observed prevalence between 4-35% of adult women (Source: Lubner et al. 2004. Reviews in Urology.)	Enhance muscle function, restore bladder control
<i>Sarcopenia</i>	As much as 30% of persons 65 or older (US Census data & Marty et al. 2017. Bone)	Prevent muscle loss, prevent slips/trips falls, prolong ambulation
<i>ICU Acquired Weakness</i>	Over 2 million persons per year (Source: Jolley et al. 2016. Chest)	Enhance rehabilitation efforts, reduce recovery time

Exclusivity Development Strategy

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

(1) Orphan Drug Designation

The Orphan Drug Designation program of the FDA 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 Rare Pediatric Disease Designations. The Company plans to submit an application for this designation during 2023. Notification of decisions must be made by the FDA within 90 days of receipt of an application.

(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 by others 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 by the FDA 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.

Overview of the Typical Drug Development Process in the United States and Canada

The FDA and the Health Products and Food Branch of Health Canada impose substantial requirements upon the clinical development, manufacture and marketing of pharmaceutical products. These agencies regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, packaging, storage, distribution, record keeping, approval, post-approval monitoring, advertising, promotion, sampling and import and export of our products. The Company's drug development candidates must be approved by the FDA and HC through a well-described, multi-step process before they may be legally prescribed and marketed for the treatment of a disease or diseases in human patients.

The process generally involves the following major elements:

- (1) **Nomination of a DC.** Complete drug discovery activities and nominate one drug candidate, which meets its target product profile and is ready to start IND enabling preclinical studies;
- (2) **Preclinical Package.** Once a DC has been identified by a company (referred to as the “**Sponsor**”), it must complete a prescribed series of non-clinical laboratory tests, animal studies and formulation studies conducted according to Good Laboratory Practices (the “**Preclinical Package**”);
- (3) **IND/CTA.** Once the Sponsor has completed the Preclinical Package, it may submit an IND application (IND) or a Clinical Trial Application (“**CTA**”) which incorporates the Preclinical Package and describes the intended clinical trial to the FDA or HC, respectively; following a 30-day review period, if there are no objections, the Sponsor is allowed to commence the described clinical trials;
- (4) **Clinical Trials.** Adequate and well-controlled human clinical trials are required typically through three phases designated as Phases 1 – 3, with the aim of establishing the safety, dosing parameters and efficacy of the proposed drug for its intended use or uses; such trials must be conducted in accordance with FDA/HC regulations and Good Clinical Practices (“**GCP**”), which are international ethical and scientific quality standards meant to ensure that the rights, safety and well-being of trial participants are protected and that the roles of sponsors, administrators, and monitors are well defined;
- (5) **NDA/NDS Submission.** Preparation and submission to the FDA/HC of a NDA/New Drug Submission (“**NDS**”) seeking approval to for the prescription and marketing of the Sponsor's drug candidate; and
- (6) **NDA/NDS Approval Process.** FDA/HC approval of the NDA/NDS which authorizes a drug candidate to then be marketed or prescribed.

- ***Preclinical Package***

Preclinical studies are conducted before an IND application (or equivalent) can be submitted to the FDA (or other regulatory body). Included in preclinical studies are (1) laboratory evaluation of the purity and stability of the manufactured drug substance or active pharmaceutical ingredient and the formulated drug or drug product, (2) *in vitro* and animal studies to assess the safety and activity of the drug for initial testing in humans and to establish a rationale for therapeutic use, (3) some degree of longer-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, and (4) additional information about the chemistry and physical characteristics of the drug and finalizing a process for manufacturing the drug in commercial quantities in accordance with GMP requirements (referred to as Chemistry, Manufacturing and Controls (“**CMC**”)). The conduct of preclinical studies is subject to federal regulations and requirements, including Good Laboratory Practices regulations. The results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for

clinical studies, among other things, are submitted to the FDA/HC as part of an IND to the FDA (or equivalent in other jurisdictions).

With the identification of SAT-3153 as its lead DC, the Company's principal focus in 2023 will be to advance the DC by conducting the prescribed preclinical IND-enabling development studies and CMC activities which will support the drafting and submission of IND/CTA applications to the FDA/HC, intended by early 2024. The information in these submissions will support the beginning of the study of the DC in Phase 1 clinical trials to assess the safety of the DC in humans. Many guidances have been issued by or are available from the FDA and HC that define for the Company the required content and format of the IND/CTA. The typical package of work includes:

- (i) Chemistry, Manufacturing and Controls (CMC): Describing exactly how the active ingredient or “drug” and the dosage form (e.g., pill or capsule) are made and tested to assure their quality, and how they are packaged and safely stored.
- (ii) Animal toxicology studies, typically in two species (rodent and non-rodent) that define the maximal tolerable dose/exposure to the investigational drug and any target organ toxicities to monitor for, if possible, in the upcoming human clinical trials. The duration of exposure in the toxicology studies should meet or exceed the intended treatment duration for the first human trials (clinical Phase 1).
- (iii) Pharmacology studies in cells or tissues (in vitro) and in animal models of the disease or condition the drug is intended to treat (in vivo) that demonstrate the potential of the investigational drug to delay or halt the progression of the disease, or to relieve its symptoms. These studies should attempt to explain how the drug is expected to work (i.e. its mechanism of action) and support an estimate of exposure or dose that could have the same desirable impact in humans with the disease.
- (iv) Drug metabolism and pharmacokinetics studies in animals to show how the drug is taken into the body, distributed to various organs and tissues of interest including the tissues in which its actions are expected, how the body processes the drug for elimination from the body (metabolism), and what drug concentrations are achieved in various tissues over time (pharmacokinetics).
- (v) The design and detailed protocol for the proposed first human clinical trial (Phase 1), and a brief overview for the full clinical development process (Phase 2 and 3) that would supply enough human data to submit to FDA/HC to gain approval of the product.

Satellos has indicated its plan for the use of proceeds from the Offering is expected to support these pre-IND/CTA activities, see “*Use of Proceeds*”. Additional funding may be required, depending on outcomes of discussions with regulatory authorities or its ongoing preclinical development activities, to carry out the full battery of requirements to successfully complete all 5 of the categories defined above which is a process typically averaging about twelve (12) to eighteen (18) months in duration.

The Company understands the timeline for each of the FDA and Health Canada to review and “approve” an IND or CTA application, respectively, to be 30 calendar days. However, we note that neither body “approves” an application, but rather, the regulatory body either comments or not. In the absence of substantive comments, the sponsor is at liberty to proceed.

- ***IND/CTA and Clinical Trials***

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCP requirements. Clinical trials are conducted under written study protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Prior to commencing the first clinical trial, an initial IND/CTA, which contains the results of preclinical testing along with other information, such as information about product CMC and a proposed protocol, must be submitted to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA/HC unless the FDA/HC within the 30-day time period raises concerns or questions about the conduct of the clinical trial and imposes a clinical hold. A clinical hold may also be imposed at any time while the IND is in effect.

In such a case, the IND/CTA sponsor must resolve any outstanding concerns before the clinical trial may begin. Accordingly, submission of an IND/CTA may or may not result in the FDA/HC allowing clinical trials to commence.

A separate submission must be made for each successive clinical trial to be conducted during product development. Further, an independent institutional review board (“**IRB**”) for each site proposing to conduct the clinical trial must review and approve the study for any clinical trial before it commences at that site. Informed written consent must also be obtained from each trial subject. Regulatory authorities, including the FDA or HC, an IRB, a data safety monitoring board or the Sponsor, may suspend or terminate a clinical trial at any time on various grounds, including a finding that the participants are being exposed to an unacceptable health risk or that the clinical trial is not being conducted in accordance with FDA/HC requirements.

For purposes of NDA/NDS approval, human clinical trials are typically conducted in sequential phases that may overlap:

- **Phase 1.** The DC is initially given to healthy human subjects or patients and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. These trials may also provide early evidence on possible effectiveness. During Phase 1 clinical trials, sufficient information about the investigational drug’s pharmacokinetics and pharmacologic effects may be obtained to permit the design of well-controlled and scientifically valid Phase 2 clinical trials.
- **Phase 2.** Trials are conducted in a limited number of patients in the target population to identify possible adverse effects and safety risks, to determine the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage. Multiple Phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.
- **Phase 3.** When Phase 2 evaluations demonstrate that a dosage range of the product appears effective and has an acceptable safety profile and provide sufficient information for the design of Phase 3 trials, Phase 3 trials are undertaken to provide statistically significant evidence of clinical efficacy and to further test for safety in an expanded patient population at multiple clinical trial sites. They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained, and are intended to further evaluate dosage, effectiveness and safety, to establish the overall benefit-risk relationship of the investigational drug and to provide an adequate basis for product labeling and approval by the FDA/HC.

- ***NDA/NDS Approval Process***

In order to obtain approval to market a drug in the United States or Canada, a marketing application must be submitted that provides data establishing to the FDA’s or HC’s satisfaction the safety and effectiveness of the investigational drug for the proposed indication. The application includes all relevant data available from pertinent non-clinical or preclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product’s chemistry, manufacturing, controls and proposed labeling, among other things. Data can come from company-sponsored clinical trials intended to test the safety and effectiveness of a use of a product, or from a number of alternative sources, including studies initiated by investigators that meet GCP requirements.

During the development of a new drug, sponsors are given opportunities to meet with the FDA or HC at certain points. For example, in the United States these points may be prior to submission of an IND, at the end of Phase 1 or 2, and before an NDA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the FDA to provide advice and for the sponsor and the FDA to reach agreement on the next phase of development. Sponsors typically use the end of Phase 2 meetings to discuss their Phase 2 clinical results and present their plans for the pivotal Phase 3 trials that they believe will support approval of the new drug. Similar regular interactions with HC are also allowed and encouraged.

Historical 12-month Milestones

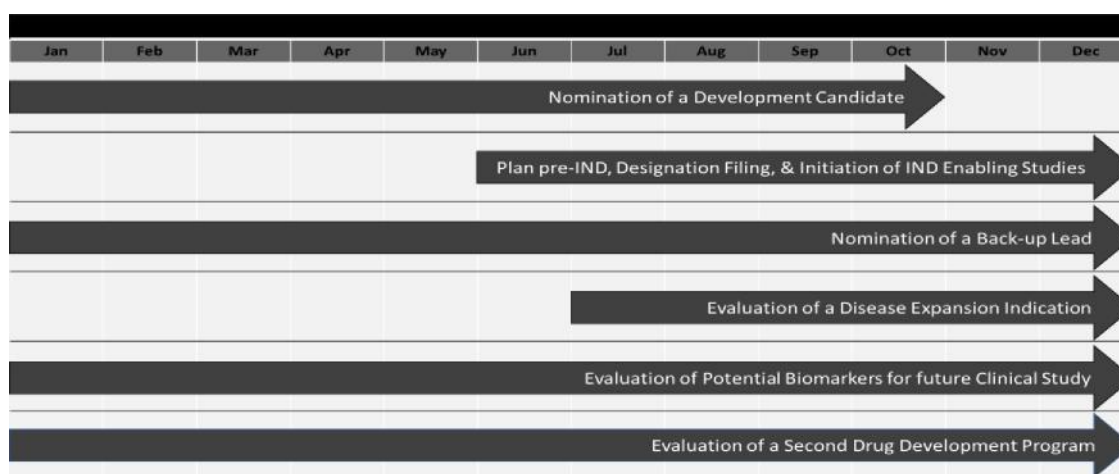
Satellos is a drug discovery and development company that is currently principally focused on the Preclinical Package, all as described above.

Coincident with completion of the Arrangement on August 13, 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), and these R&D Milestones were subsequently updated for calendar 2022 as set out in the Company’s final prospectus dated September 6, 2022 (the “**2022 Prospectus**”), and summarized in Table 4 below. **The Company believes it made further progress towards the achievement of the R&D Milestones during 2022 particularly as regards nomination of a DC which was the principal focus of the funding raised via the above-mentioned prospectus.**

These historical R&D Milestones were 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 4: Updated Historical Milestones
(January 1, 2022 to December 31, 2022)**



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

(1) Nomination of a Lead DC

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. While slightly later than originally projected, the Company nominated its DC within the timeframe outlined in the 2022 Prospectus.

(2) Preclinical Package - 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 which it expects to submit in the first half of 2023. While somewhat later than originally projected, the Company does not believe its overall timeline projections for an IND filing towards the end of 2023 is being materially compromised.

(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 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

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 measurements 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 PTPX program. Satellos has now moved to evaluating a number of new disease situations in collaboration with philanthropic organizations, to minimize cost and resource distraction, with the aim of identifying a second program during 2023.

The Company has indicated in its plan for the use of proceeds from the Offering, certain additional activities and milestones that intends to achieve over a period ending in [●]. Further discussion concerning the status and progress related to those additional activities and milestones is set out in the “*Use of Proceeds*” section.

The iCo Portfolio

Through its business combination with iCo the Company acquired the iCo Portfolio. There are two technologies within the iCo Portfolio: Oral Amp B Delivery System, a patented oral transport technology licensed exclusively by iCo from the University of British Columbia (“**UBC**”) in 2008, trade-marked OralTrans™ and described as iCo-019; and Bertilimumab, a human monoclonal antibody described as iCo-008 which was discovered by Cambridge Antibody Technology Limited in 2001 and exclusively licensed by iCo in 2006 and for which patents have expired.

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 product; however, the Company believes it is unlikely that material, or any, value can be realized for Bertilimumab.

Amphotericin B Technologies Inc. (“**Amp B**”) 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. OralTrans™ and the UBC license agreement were assigned to Amp B Tech with the consent of UBC.

In a press release on August 18, 2021, Satellos announced that Amp B had entered into a Joint Development Agreement (the “**JDA**”) with NW PharmaTech Limited (“**NW PharmaTech**”). The purpose of the JDA was 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 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 by the Company to UT, in Q1 2023. These payments were a reimbursement of funds paid to UT, and so these amounts are not included in the Company’s income or expenses.

On October 6, 2022, NW Micelle Therapeutics Inc. (“**NWMT**”) was established for the purpose of developing an oral formulation of cannabidiol using OralTrans™ technology for the treatment of insomnia and other indications relating to mental health (“**Oral CBD**”). NW PharmaTech will provide the funding required for the development of Oral CBD, already underway at the University of Toronto. NW PharmaTech holds 85% of the shares in NWMT and Amp B holds 15%. Amp B is entitled to a seat on the board of NWMT and receives certain anti-dilution protections. NW PharmaTech Ltd. obtained a call option to acquire Amp B from Satellos for US\$3,000,000 while Satellos received a put option to trigger a sale of Amp B 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 its rights under the UT SRA to NWMT.

Further information regarding the business of the Company including both the Satellos Portfolio and the iCo Portfolio can be found in the AIF and the materials incorporated by reference into this short form prospectus. See “*Documents Incorporated by Reference*”.

Research and Development (“R&D”) Spending To-Date

As the Company is an issuer that has not yet generated revenue, below sets forth the expenditures made for each R&D Milestone from 2018 to March 2023. See “*Use of Proceeds – Business Objectives and Milestones*” for the anticipated timing and costs to take the R&D Milestones to the next stage of completion.

R&D Spending and Milestone Allocations, 2018 – March 2023

Period	2018	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023 (unaudited)	Cumulative Spending 2018 to March 2023 (unaudited)
R&D Expenditures										
R&D Contracts & Materials	642,051	1,488,429	940,942	2,003,613	771,445	616,049	620,688	704,432	745,450	8,533,098
R&D Management & Consultants	90,000	69,000	365,767	547,243	159,566	149,942	180,311	233,721	138,836	1,934,386
	732,051	1,557,429	1,306,709	2,550,856	931,011	765,991	800,999	938,153	884,286	10,467,485
Allocation by Project										
Delivery of Lead and Back Up DCs	732,051	1,557,429	1,306,709	2,032,044	603,735	573,717	752,037	790,473	-	8,348,196
New Discovery & Pre-Clinical R&D	-	-	-	-	-	-	-	-	724,525	724,525
Pre-IND Enabling Activities	-	-	-	-	-	-	-	61,101	117,753	178,854
Expansion of Indication	-	-	-	-	86,477	41,195	-	-	-	127,672
Evaluation of Biomarkers	-	-	-	381,008	113,200	107,572	39,581	38,688	-	680,049
Evaluation of 2 nd Development Program	-	-	-	127,003	37,733	35,857	-	-	-	200,594
Oral AmpB Program	-	-	-	10,800	89,866	7,650	9,381	47,891	42,008	207,596
	732,051	1,557,429	1,306,709	2,550,856	931,011	765,991	800,999	938,153	884,286	10,467,485

In September, 2022, the Company raised net proceeds (after deducting commissions and other expenses) of \$2,752,162 under the 2022 Offering (as defined herein). In the 2022 Prospectus, the Company projected that \$2,276,000 of the net proceeds would be deployed up to the end of March 2023 in the pursuit of three principal activities: nominating a DC (\$1,212,000), preclinical development (\$540,000), and initiation of pre-IND activities (\$524,000). Up to the end of March 2023, the Company estimates that it deployed \$2,445,889 in the pursuit of these initiatives (\$1,542,510 for nominating a DC, \$724,525 for preclinical development and \$178,854 for initiation of pre-IND activities). The higher than expected expenses relating to nominating a DC and lower than expected expenses for initiation of pre-IND activities were attributable to the fact that it took slightly longer than expected to nominate a DC. As noted elsewhere, the Company announced the nomination of SAT-3153 as its DC on January 3, 2023 and is pursuing further preclinical and pre-IND enabling activities. Further, the Company projected in the 2022 Prospectus that \$626,000 would be deployed on Management and G&A activities, with the estimated actual deployment of the proceeds of the offering to the end of March 2023 on these activities being \$286,273. The remaining category projected for the use of proceeds in the 2022 Prospectus was Investor Relations, where the projection was \$48,000 in the 2022 Prospectus, and the estimated actual spending for the use of proceeds being \$20,000 to the end of March 2023. The Company estimates that as of the end of March 2023, it has spent the proceeds of the 2022 Prospectus offering in full.

Intellectual Property

Satellos holds numerous issued and pending patents related to the manipulation, modulation, and use of muscle stem cells for experimental and therapeutic purposes, comprising four patent families described below:

IP	How it is used	Importance to business of the Company	Registered or Unregistered	Protected or unprotected by intellectual property registration
A method of stimulating asymmetric division of satellite stem cells (patents/applications derived from PCT/US2018/027920)	Description of biologic subject matter related to the EGFR/PTPX drug development program	Low	Registered	Patent applications filed in Canada, USA, Europe; registered in Japan
Wnt7a compositions and methods of using the same (patents/applications derived from PCT/US2012/055396)	Description of biologic subject matter in support of the Wnt7a biologic drug development program	Medium	Registered	Registered in Canada, USA, Europe, Hong Kong
Compositions and methods for modulating stem cells and uses thereof (patents/applications derived from PCT/CA2010/000601)	Description of biologic subject matter in support of the Wnt7a biologic drug development program	Medium	Registered	Registered in Canada, USA, Europe, Japan, China
Modulation of satellite cell polarity and asymmetric cell division (patents/applications derived from 63/345/678)	Description of the biologic subject matter in support of the Notch/K9 drug development program	Medium	Registered	Patent application submitted in USA

The above noted granted patents and patent applications represent, in the main, biological discoveries on which the Company has been and will continue to build its small molecule drug discovery programs.

Furthermore, the Company, with the knowledge and cooperation of the OHRI, recently arranged for the drafting and filing by its patent counsel of an additional patent application related to further pathway and drug target discoveries emanating from the Rudnicki Lab, titled: 'Modulation of satellite cell polarity and asymmetric cell division' (patents/applications derived from 63/355,903). This provisional patent application is now pending in the USA.

Further patent applications for biological discoveries are being planned. Additionally, the Company's patent counsel is presently drafting patent applications related to its small molecule drug discovery activities. The Company expects to begin filing these applications in early 2023, starting in the USA. The Company intends, also in due course as the patent review and filing process unfolds, to submit applications to a broad range of jurisdictions under provisions of the Patent Cooperation Treaty (PCT) which will at least include, but not necessarily be limited to: Canada, major countries in the EU, Japan, China and the USA.

In addition, the following table contains details of the unregistered material intellectual property owned by Satellos:

IP	How it is used	Importance to business of the Company	Registered or Unregistered	Protected or unprotected by intellectual property registration
Website: https://www.satellos.com	Used to inform on the Company's business	High	Unregistered	Unregistered
MyoReGenX Platform	Biological discovery platform that enables the identification of molecular targets and molecular tools (chemical compounds, biologics, nucleotides) that are capable of regulating muscle stem cell division and cell fate	High	Unregistered	Confidential (Trade Secret)

RECENT DEVELOPMENTS

Lead Program – Recent Developments

On January 3, 2023, the Company indicated that results from preclinical ADME, PK and in vivo studies led to designation of SAT-3153 as its lead DC for the treatment of Duchenne. As noted, ongoing development and nomination of DC by the end of 2022 was the principal use of proceeds described in the 2022 Prospectus. In a subsequent study with SAT-3153, in an acute injury model intended to determine if drug is acting rapidly on mechanism, *Mdx* mice treated with SAT-3153 displayed a statistically significant effect on polarity through new progenitor muscle cell formation versus placebo controls (n=5 per group), after one (1) week. In a further in vivo study, *Mdx* mice treated with SAT-3153 four times per week versus placebo controls (n=8 per group) showed a 19% increase in muscle force after two weeks. Additional preclinical studies have shown SAT-3153 to have no binding of the hERG channel (a key requirement to rule out possible cardiac toxicity), a plasma protein binding level of < 90% (indicating significant levels of free drug are available to initiate a therapeutic effect), and oral bioavailability. The Company is continuing to conduct preclinical studies to confirm the DC's suitability for further development and establish the appropriate dosing regimens, including oral dosing, to be used in its pre-IND toxicology studies and to inform its plans for dosing in clinical trials in humans.

Other Recent Developments

On September 28, 2022, Satellos announced the appointment of Dr. Phil Lambert, an experienced pharmaceutical drug development professional, to the role of Chief Technology Officer. In this role, Dr. Lambert assumed overall responsibility for planning, oversight and execution of the Company's R&D plans, including translational activities focused on nominating a lead drug candidate, and advancing into IND-enabling studies and clinical trials in humans.

On October 6, 2022, Satellos announced that its common shares commenced trading on the OTCQB Venture Market ("OTCQB") in the United States under the symbol "MSCLF". Shares in Satellos continue to trade on the TSXV under the symbol MSCL.

On October 6, 2022, NWMT was established 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. NW PharmaTech will provide the funding required for the development of this technology, already underway at the

University of Toronto. Amp B licensed certain rights in OralTrans™ to NWMT for use in developing this technology. See above under the heading “*Summary Description of Business — The iCo Portfolio*”.

On March 15, 2023, Satellos announced a proposed non-brokered private placement (the “**Private Placement**”) offering of 10% unsecured non-convertible debenture units (the “**Debenture Units**”) by which Satellos expected to raise gross proceeds of up to \$2,250,000, for use for corporate and general working capital purposes. Subsequently on March 22, 2023, Satellos announced that the Company had increased the maximum size of the Private Placement to \$2,385,000 and on March 29, 2023, that the Private Placement had closed. Each Debenture Unit consisted of: (i) \$1,000 principal amount of unsecured non-convertible debentures of the Company; and (ii) for no additional consideration, such number of Common Shares (each such 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 on the TSXV on March 15, 2023. An aggregate of 671,825 Bonus Shares were issued in connection with the closing of the Private Placement.

Corporate Governance

The Company has adopted a continuous disclosure policy and insider trading policy.

Insider Trading Policy

The insider trading policy adopted by Satellos provides for “blackout” periods or similar periods during which insiders and other persons who are subject to the policy are prohibited from trading in securities of the Company during the restricted period.

The insider trading policy provides for trading “blackout” periods when financial statements are being prepared but results have not yet been publicly disclosed. The “blackout” period will typically commence on the first day of the month following the applicable fiscal quarter 1, 2 or 3 and end on the second day following issuance of a news release disclosing the particular quarterly results. The blackout period pending the release of year-end results will commence January 1st and end on the second day following the issuance of a news release disclosing annual results.

In addition, the insider trading policy provides for “blackout” periods that may be prescribed from time to time by the Company as a result of special circumstances relating to the Company pursuant to which insiders of the Company would be precluded from trading in securities of the Company. All parties with knowledge of such special circumstances would be covered by the blackout. Such parties may include external advisors such as legal counsel, investment bankers and counter-parties in negotiations in respect of material potential transactions.

The insider trading policy does not preclude the grant or exercise of stock options, or similar forms of stock-based compensation, during any restricted period; however, directors and officers are required to receive approval from a Designated Officer (as defined therein) prior to exercising options during this time.

The insider trading policy prohibits insiders and other persons who are subject to the policy from entering into certain derivative-based transactions that involve, directly or indirectly, securities of the Company.

New directors and officers and employees of the Company will be provided a copy and required to read the insider trading policy as part of the hiring and on-boarding process.

Disclosure Policy

Satellos has also adopted a written disclosure policy, which confirms its existing disclosure policies and practices.

The disclosure policy extends to all employees, officers, directors, consultants and agents of the Company and all of its subsidiaries. Pursuant to the disclosure policy, the Board of Directors will delegate to a committee responsibility for overseeing the Company’s disclosure practices. Among other things, the committee will be responsible for ensuring appropriate systems, processes and controls for disclosure will be in place.

The disclosure policy will address, among other things, disclosure of documents filed with securities regulators, financial and non-financial documents, including management's discussion and analysis and news releases. All material information must be publicly disclosed as soon as possible via news release, subject to limited exceptions such as confidential information, in which case appropriate confidential filings will be made, or if the disclosure would be unduly detrimental to the Company. Further, to ensure the investing community, regulators, and the media, are receiving consistent and accurate information, the Company will designate the CEO or the CFO to be the Company's spokespersons.

PRICE RANGE AND TRADING VOLUME OF LISTED SECURITIES

The Common Shares are listed for trading in Canada on the TSXV under the symbol "MSCL". The following table shows the high and low trading prices and the aggregate volume of Common Shares traded on the TSXV (as reported by the TSXV) for each of the last 12 months. On April 17, 2023, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.53.

Month	Close	High	Low	Volume
2022				
April	\$1.00	\$1.20	\$0.71	706,800
May	\$0.78	\$1.15	\$0.66	514,000
June	\$0.51	\$0.75	\$0.40	804,900
July	\$0.54	\$0.73	\$0.32	1,977,800
August	\$0.55	\$0.60	\$0.44	1,702,681
September	\$0.33	\$0.51	\$0.31	1,559,788
October	\$0.29	\$0.36	\$0.26	772,293
November	\$0.26	\$0.31	\$0.22	639,739
December	\$0.22	\$0.26	\$0.22	504,523
2023				
January	\$0.26	\$0.34	\$0.22	841,351
February	\$0.37	\$0.45	\$0.26	1,451,119
March	\$0.56	\$0.59	\$0.32	589,990
April 1-17	\$0.53	\$0.55	\$0.46	183,784

PRIOR SALES

The following tables set out details of all Common Shares and any securities convertible or exchangeable for Common Shares issued by the Company during the 12 months prior to the date of this short form prospectus.

Date of Issuance	Type of Security	Number of Securities Issued	Issuance/Exercise Price Per Security
July 12, 2022	Common Shares	50,000	\$0.445 ⁽¹⁾
September 13, 2022	Units consisting of one Common Share and one-half of one Common Share purchase warrant	8,750,000	\$0.40 per Unit. Each whole warrant is exercisable into one Common Share at an exercise price of \$0.60 ⁽²⁾

Date of Issuance	Type of Security	Number of Securities Issued	Issuance/Exercise Price Per Security
September 13, 2022	Warrants	612,500	Each warrant is exercisable for one Common Share at an exercise price of \$0.40 ⁽³⁾
September 27, 2022	Options	200,000	Each stock option is exercisable for one Common Shares at an exercise price of \$0.33 ⁽⁴⁾
October 6, 2022	Options	813,750	Each stock option is exercisable for one Common Shares at an exercise price of \$0.325 ⁽⁵⁾
March 24, 2023	Debenture Units consisting of: (i) \$1,000 principal amount of unsecured non-convertible debentures of the Company; 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.	2,385 Debenture Units (which resulted in 671,825 Bonus Shares being issued)	\$1,000 per Debenture Unit ⁽⁶⁾

Notes:

- (1) Issued to OHRI pursuant to an amendment to the License Agreement.
- (2) Issued pursuant to a previously announced public offering completed in September 2022 (the “2022 Offering”).
- (3) Issued to agents as compensation for acting as agent in the 2022 Offering.
- (4) Awarded to an officer of the Company pursuant to the terms of the Company’s Stock Option Plan.
- (5) Awarded to directors, officers, employees and consultants of the Company pursuant to the terms of the Company’s Stock Option Plan.
- (6) Issued pursuant to a non-brokered private placement offering.

DESCRIPTION OF OFFERED SECURITIES

The Offering consists of a distribution of up to [●] Offered Shares and/or Offered Warrants.

Offered Shares

The authorized capital of the Company consists of an unlimited number of Common Shares. The holders of Common Shares (including Offered Shares, Warrant Shares and Compensation Option Shares) are entitled to receive notice of and to attend all annual and special meetings of the Company’s shareholders and to one vote in respect of each Common Share held at the record date for each such meeting. The holders of Common Shares are entitled, at the discretion of the Board of Directors, to receive out of any or all of the Company’s profits or surplus properly available for the payment of dividends, any dividend declared by the Board of Directors and payable by the Company on the Common Shares. The holders of the Common Shares will participate *pro rata* in any distribution of the assets of the Company upon liquidation, dissolution or winding-up or other distribution of the assets of the Company. Such participation will be subject to the rights, privileges, restrictions and conditions attached to any of the Company’s securities issued and outstanding at such time ranking in priority to the Common Shares upon the liquidation, dissolution or winding-up of the Company. Common Shares are issued only as fully paid and are non-assessable. Common Shares will only be issued through the book-based system administered by CDS in Canada, except in limited circumstances. See “*Description of Offered Securities - Book-Based System*”.

As at April 17, 2023, the Company had 42,469,438 Common Shares issued and outstanding. After giving effect to the Offering (assuming [●] Offered Shares and no Offered Warrants are sold), the Company would have [●] Common Shares issued and outstanding (assuming no further exercises or issuances of convertible securities).

Offered Warrants

The Offered Warrants issued under the Offering will be issued in certificated form. The following description is subject to the detailed provisions of the form of certificate for the Offered Warrants (the “**Warrant Certificate**”). Reference should be made to the Warrant Certificate for the full text of attributes of the Offered Warrants.

Each whole Offered Warrant will entitle the holder to acquire, subject to adjustment as summarized below, one Warrant Share until 4:30 p.m. (Toronto time) on the date that is 60 months following the Closing Date, after which time the Offered Warrant will be void and of no value. The exercise price will be pre-funded except for a nominal exercise price of US\$0.00001 per Offered Warrant. The Offered Warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to the Company a duly executed exercise notice, thereby canceling all or a portion of such holder’s Offered Warrants. The Offered Warrants may be exercised on a “net” or “cashless” basis. For greater certainty, Offered Warrants will expire the date that is 60 months from their date of issuance. The Offered Warrants and the Warrant Shares have not been registered under the U.S. Securities Act or any applicable state securities laws, and the Offered Warrants may not be exercised by or on behalf of a person in the United States or by, or for the account or benefit of, a U.S. Person unless an exemption from such registration is available and documentation to that effect is provided in accordance with the terms of the Warrant Certificate.

The Warrant Certificate will provide that the share ratio and exercise price of the Offered Warrants will be subject to adjustment in the event of certain share dividends or distributions or of a subdivision or consolidation of the Common Shares or similar events. If the Company reorganizes, consolidates, amalgamates or merges with any other body corporate, or transfers all or substantially all of its assets, then a holder of Offered Warrants, upon exercise of the Offered Warrants, will be entitled to receive such securities and/or other property (including cash) as if the holder had exercised the Offered Warrants before such transaction.

The Warrant Certificate will also provide that, during the period in which the Offered Warrants are exercisable, it will give notice to holders of Offered Warrants of certain stated events (including any voluntary or involuntary dissolution, liquidation; winding-up; a stock split or consolidation or other reclassification of the Common Shares; a stock dividend or other distribution (outside the ordinary course) upon the Common Shares; a reorganization, consolidation, amalgamation or merger with other body corporate; or a transfer of all or substantially all of the assets of the Company) at least 10 days prior to the record date or effective date, as the case may be, of such events.

There is currently no market through which the Offered Warrants may be sold, and purchasers may not be able to resell the Offered Warrants purchased under this short form prospectus. The Warrant Certificate will also limit the number of Common Shares that may be acquired by a holder of Offered Warrants upon any exercise of the Offered Warrants if that would result in the holder and its affiliates holding in excess of either 4.99% or 9.99% (to be determined at Closing) of the number of Common Shares outstanding immediately after giving effect to the issuance of Common Shares upon exercise of such Offered Warrants. Notwithstanding the foregoing, subject to applicable TSXV policies, a holder of Offered Warrants, upon notice to the Company at least 61 days in advance, may increase or decrease this limitation subject to certain restrictions. These restrictions include the requirement that a holder wishing to increase the limitation above 9.99% shall be required to deliver personal information form(s) as required by any recognized stock exchange on which the Common Shares are then listed and such personal information form(s) must have been approved by the stock exchange, as applicable. In addition, a holder will not be permitted to exercise Offered Warrants if such exercise would result in such holder owning more than 19.99% of the number of Common Shares outstanding immediately after giving effect to the issuance of Common Shares upon exercise of such Offered Warrants. **No fractional Warrant Shares will be issuable upon the exercise of any Offered Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Offered Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.**

The Company has not applied and does not intend to apply to list the Offered Warrants on any securities exchange. There will be no market through which the Offered Warrants may be sold and purchasers may not be able to resell the Offered Warrants purchased in the Offering. This may affect the pricing of the Offered

Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered Warrants, and the extent of issuer regulation.

Book-Based System

Registration of interests in, and transfers of, the Offered Shares will be made only through the book-based system of CDS. Offered Shares must be purchased and transferred only through a CDS participant. All rights of an owner of Offered Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS participant through which the owner holds such Offered Shares. Upon purchase of any Offered Shares, the owner will receive only the customary confirmation. References in this short form prospectus to a holder of Offered Shares means, unless the context otherwise requires, the owner of the beneficial interest in such Offered Shares. Physical certificates evidencing Offered Shares will not be issued unless specifically requested or required. Notwithstanding the foregoing, Offered Shares offered or sold to, or for the account or benefit of, certain U.S. persons or persons in the United States may be issued in certificated, individually registered form.

The Company and the Agent will not have any liability for: (i) records maintained by CDS relating to the beneficial interests in the Offered Shares or the book-based accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS participants.

The ability of a beneficial owner of Offered Shares to pledge such Offered Shares or otherwise take action with respect to such owner's interest in such Offered Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate to the extent that such owner has not requested a physical certificate from the Company. The Company has the option to terminate registration of the Offered Shares through the book-based system in which case certificates for Offered Shares, in fully registered form may be issued to beneficial owners of such Offered Shares or to their nominees.

CAPITALIZATION

As at December 31, 2022, the date of the Annual Financial Statements, there were 41,797,613 Common Shares, 5,245,816 share purchase warrants and 3,991,201 stock options outstanding. As at April 1, 2023, there were 42,469,438 Common Shares, 5,243,382 share purchase warrants and 3,991,201 stock options outstanding.

Since December 31, 2022, the date of our Annual Financial Statements, there have been no material changes in our consolidated share and loan capital other than as outlined under "*Prior Sales*" above.

The following table shows the effect of the Offering on the issued capital of the Company. The following table should be read in conjunction with the Annual Financial Statements incorporated by reference in this short form prospectus:

Description	Outstanding as at December 31, 2022	Outstanding as at December 31, 2022 after giving effect to the Offering, and the transactions outlined under " <i>Prior Sales</i> " (1) (2)
Common Shares	41,797,613	[●]
Options	3,991,201	3,991,201
Warrants	5,245,816 ⁽³⁾	5,243,382 ⁽²⁾
Total Debt	Nil	\$2,385,000

Notes:

- (1) Assuming no exercise of the Compensation Options to be issued in connection with the Offering and assuming no Offered Warrants are issued in connection with the Offering.
- (2) For certainty, this does not include the issuance of [●] Compensation Options issuable pursuant to the Offering. Assuming no Offered Warrants are issued in connection with the Offering.
- (3) Includes 2,434 warrants that expired on January 27, 2023. As of March 31, 2023 there were 5,243,382 warrants outstanding. The January 27, 2023 expiry of warrants is reflected in the number of warrants set forth in the columns to the right.

USE OF PROCEEDS

Assuming the Offering is fully subscribed, the estimated net proceeds to be received by the Company under the Offering are expected to be \$[●], after deducting the Agent's Commission of \$[●] and after deducting the estimated expenses of the Offering of \$550,000.

As at the end of March 2023, the Company's cash on hand was \$2,983,033 (unaudited) and the Company had positive net working capital of \$317,326 (unaudited). In the event the Offering is fully subscribed, the Company estimates that it will be able to continue to operate until [●].

In addition to its cash and cash equivalents on hand, the Company expects to use the net proceeds of the Offering for the following purposes up to [●] (assuming the Offering is fully subscribed):

Offering (Gross Proceeds Raised)	\$[●]
Cost of Financing (e.g. Commission, Fees)	\$[●]
Net Proceeds Raised	\$[●]
Use of Proceeds (April 2023 to [●])	
Conduct of CMC Activities and GMP Manufacturing of DC	\$[●]
Conduct of prescribed IND Enabling Studies and Preparation of IND/CTA submissions (i.e., Preclinical Package)	\$[●]
Conduct of Pre-Clinical development including further efficacy and benchmarking studies with DC	\$[●]
Identification of Back-up Lead and further discovery research on new drug targets/disease indications	\$[●]
Investor Relations	\$[●]
Management, Board, Advisors	\$[●]
General & Administrative & Insurance	\$[●]
	\$[●]

Business Objectives and Milestones

The net proceeds from the Offering, in addition to its cash and cash equivalents on hand, are expected to allow the Company to incorporate and advance the remaining milestones as set forth in Table 4 of this short form prospectus, as well as the additional research and development activities set out in this section. The Company's overarching business goal of inventing and advancing drugs with the aim of resetting the body's innate ability to regenerate muscle as a therapeutic approach for treating degenerative muscle diseases, commencing with Duchenne, has no known precedent of which it is aware. The Company submits that undertaking the prescribed series of preclinical studies and CMC activities to generate the data required to support an IND/CTA for submission to the FDA/HC, using the net proceeds from the Offering, will be viewed as a significant step forward for the Company.

Please see the table below outlining the Company's ongoing research and development objectives in further detail, including the anticipated delivery date and the estimated expenditures associated with each such milestone using the net proceeds from the Offering (assuming the Offering is fully subscribed):

Milestone/ Objective	Status as at the date hereof	Projected Status as at [●]	Estimated Expenditures from April 30, 2023 to [●]	Description of Body of Work to Deliver Milestone/Objective
Conduct of CMC Activities and GMP Manufacturing of DC	Ready to initiate	[●]	\$(●)	(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.
Conduct of prescribed IND Enabling Studies and Preparation of IND/CTA submissions (i.e., Preclinical Package)	Ready to initiate	[●]	\$(●)	(1) 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. (2) 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 and is intended for the second half of 2023.
Conduct of Pre-Clinical R&D with DC	Ongoing	[●]	\$(●)	(1) Ongoing 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, validating new disease indications, and continuing to generate new IP. (2) A range of translational, efficacy and benchmarking in vivo studies to: establish oral dosing parameters for SAT-3153, guide clinical development, profile the effects of SAT-3153 under different treatment regimens and in comparison to other treatment approaches, build a body of competitive information and generate data in a Duchenne model in a different species (n.b., canine). Much of this program will be conducted with CROs who specialize in Duchenne preclinical studies.

Milestone/ Objective	Status as at the date hereof	Projected Status as at [●]	Estimated Expenditures from April 30, 2023 to [●]	Description of Body of Work to Deliver Milestone/Objective
				(3) Furthering the development and determination of appropriate biomarkers or other tools to be used in clinical development studies.
Identification of Back-up Lead and further Discovery Research on New Drug Targets / Indications	Ongoing	[●]	\$(●)	Primary focus will be ongoing R&D activities to advance chemistry, test and nominate a back-up DC. We anticipate this body of work to take approximately nine (9) months from Q2 2023. Thereafter, focus will shift to an emphasis on new drug targets and disease indications.

The Company believes that undertaking the prescribed series of preclinical studies and CMC activities to generate the data required to support, draft and submit IND/CTA applications to the FDA/HC represents a substantial advance in the Duchenne program and a critical inflection point for subsequent clinical development. Accordingly, the Company believes this body of work is key (as well as necessary and sufficient) to generate interest among investors with the wherewithal and capacity to make the capital commitments required to move the Company into and ultimately through clinical development studies.

There is no minimum amount of funds that must be raised pursuant to the Offering. This means the Company could complete the Offering after raising only a small proportion of the Offering amount set out herein.

Despite management's expectations, the objectives set out above may require additional capital exceeding our cash on hand resources even after giving effect to the Offering. In particular, actual costs and development time may exceed management's current expectations. Accordingly, we may need to raise additional capital in the future over and above the Offering. The Company intends to use the funds available to it as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement the Company will have appointed the Agent to act as its agent to conduct the Offering on a commercially reasonable "best efforts" agency basis, for the distribution of up to [●] Offered Shares and/or Offered Warrants, at the Offering Price payable in cash to the Company against delivery of the Offered Shares and/or Offered Warrants. The Agent has agreed to assist with the Offering on an agency basis and is not obligated to purchase any of the Offered Shares and/or Offered Warrants for its own accounts.

The Offering Price will be determined by negotiation between the Company and the Agent in accordance with the applicable policies of the TSXV and in the context of the market. Among the factors to be considered in determining the Offering Price will be the market price of the Common Shares, prevailing market conditions, the historical performance and capital structure of the Company, the Agent's estimate of the business potential and earnings prospects of the Company, the availability of comparable investments, an overall assessment of management of the Company and the consideration of the foregoing factors in relation to market valuation of companies in related businesses.

The closing of the Offering is expected to occur on or about May 4, 2023, or such later date as may be agreed upon by the Company and the Agent, which date will be no more than 10 days following the date the Company receives a

receipt or deemed receipt from the applicable Canadian securities regulators for the filing of the final prospectus filed in connection with the Offering. **There is no minimum amount of funds that must be raised under this Offering. This means that the Company could complete this Offering after raising only a small proportion of the Offering amount set out above.**

There can be no assurance that any or all of the Offered Shares and/or Offered Warrants being offered will be sold.

The outstanding Common Shares are listed and posted for trading on the TSXV under the symbol “MSCL”. On April 17, 2023, the last trading day on the TSXV prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.53. The Company will apply to the TSXV to list the Offered Shares, the Warrant Shares and the Compensation Option Shares distributed under this short form prospectus on the TSXV. There can be no assurance that the securities offered pursuant to this short form prospectus will be accepted for listing on the TSXV. **The Company does not intend to apply to list the Offered Warrants on any securities exchange.**

Each Offered Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Warrant Shares at a nominal exercise price of \$0.00001 until 4:30 p.m. (Toronto time) on the date that is 60 months following the Closing Date. The Offered Warrants will be created and issued pursuant to the terms of the Warrant Certificates to be dated as of the date of issuance thereof and issued by the Company. The Warrant Certificates will contain provisions designed to protect holders of the Offered Warrants against dilution upon the happening of certain events. No fractional Offered Warrants will be issued and no cash consideration will be paid in lieu of fractional shares. **There is no market through which the Offered Warrants may be sold and purchasers may not be able to resell such securities. This may affect the pricing of the Offered Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such securities, and the extent of issuer regulation. See “Description of the Securities Being Distributed — Offered Warrants”.**

The obligations of the Agent under the Agency Agreement may be terminated by the Agent at any time at their sole discretion on the basis of its assessment of the state of the financial markets and on the occurrence of certain stated events. While the Agent has agreed to use their best efforts to sell the Offered Shares and Offered Warrants offered hereby, the Agent is not obligated to purchase Offered Shares and Offered Warrants that are not sold.

Subscriptions for the Offered Shares and Offered Warrants will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Pursuant to the Agency Agreement, the Agent may offer the Offered Shares and Offered Warrants to the public pursuant to the securities legislation of each of the provinces of British Columbia, Alberta and Ontario. The Agent may also offer for sale the Offered Shares and Offered Warrants to, or for the account or benefit of, persons in the United States and U.S. persons by or through one or more U.S. Placement Agents. In addition, the Agent is entitled to offer the Offered Shares and Offered Warrants outside of Canada and the United States to non-U.S. persons provided that the Agent shall not take any action in connection with the distribution of the Offered Shares and Offered Warrants that would result in the Company being obligated to comply with the prospectus, registration, reporting or other similar requirements of the securities laws of any jurisdiction.

In consideration for the Agent’s services with respect to the Offering, the Company shall pay the Agent a cash fee of 7% of the aggregate gross proceeds of the Offering, payable on the closing of the Offering. In addition, the Company has agreed to issue Compensation Options equal to 7% of the number of Offered Shares and Offered Warrants sold pursuant to the Offering. Each Compensation Option, shall entitle the Agent to acquire one Compensation Option Share at an exercise price of \$[●], subject to adjustment, for a period of 24 months following the Closing Date. This short form prospectus also qualifies the distribution of the Compensation Options. The Company has also agreed to reimburse the Agent for its reasonable out-of-pocket fees and expenses, including the fees and expenses of its legal counsel whether or not the Offering is completed.

The Offering will be conducted under the book-based system of CDS; accordingly, a subscriber who purchases Offered Shares will only receive a customer confirmation from the registered dealer that is a CDS participant from or through whom Offered Shares are purchased. CDS will record the CDS participants who hold securities on behalf of owners who have purchased or transferred securities in accordance with the book-based system. Except in limited circumstances, certificates evidencing Offered Shares and Warrant Shares will not be issued unless a request for a

certificate is made to the Company. Physical certificates representing the Offered Warrants will be in definitive form and available for deliver to purchasers at closing of the Offering.

The Company has agreed to indemnify the Agent and each of its affiliates, and their respective directors, officers, employees, partners, agents and advisors against any and all losses (except loss of profit), claims, actions, suits, proceedings, damages, liabilities or expenses of whatsoever nature or kind, that arise out of or are based, directly or indirectly, upon the performance of the professional services rendered to the Company by the Agent and its affiliates or their respective directors, officers, employees, partners, agents and advisors pursuant to the Agency Agreement. This indemnity does not apply to the extent such losses, claims, actions, suits, proceedings, damages, liabilities or expenses as to which indemnification is claimed arise solely out of gross negligence, wilful misconduct or fraud in the performance of such professional services.

The Agent may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

United States

The Offered Shares and Offered Warrants offered hereby have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and, accordingly, may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States or U.S. persons except in accordance with the Agency Agreement and pursuant to exemptions from registration under the U.S. Securities Act and applicable U.S. state securities laws. The Agent has agreed that it will not offer or sell the Offered Shares or Offered Warrants to, or for the account or benefit of, persons in the United States or U.S. persons, except that offers of Offered Shares and Offered Warrants may be made to, or for the account or benefit of, persons in the United States or U.S. Persons by or through one or more U.S. Placement Agents. The Agency Agreement will provide that the Offered Shares and Offered Warrants may be offered to, or for the account or benefit of, persons in the United States or U.S. persons that are (i) “accredited investors,” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act (an “**Accredited Investor**”), and/or (ii) “qualified institutional buyers,” as defined in Rule 144A under the U.S. Securities Act, that are also Accredited Investors (“**Qualified Institutional Buyers**”), in each case for sale directly by the Company pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506(b) of Regulation D under the U.S. Securities Act and similar exemptions under applicable U.S. state securities laws. The Agency Agreement will also provide that the Agent will offer and sell the Offered Shares and Offered Warrants outside the United States to non-U.S. persons in accordance with Rule 903 of Regulation S promulgated under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares or Offered Warrants within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer or sale is made pursuant to an exemption from registration under the U.S. Securities Act.

The Offered Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares issuable upon exercise of the Offered Warrants be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to the Company; provided, however, that a holder who is an Accredited Investor or a Qualified Institutional Buyer at the time of exercise of the Offered Warrants who purchased Offered Warrants in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons as an Accredited Investor or a Qualified Institutional Buyer, as applicable, will not be required to deliver an opinion of counsel in connection with the exercise of Offered Warrants

The Offered Shares, the Offered Warrants and the Warrant Shares issuable upon exercise of the Offered Warrants issued to, or for the account or benefit of, persons in the United States or U.S. persons will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Certificates representing any securities that are offered, sold or issued to, or for the account or benefit of, persons in the United States or U.S. persons that are

Accredited Investors will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

RISK FACTORS

Risk Factors Relating to the Business of the Company

Investing in the Company's securities is speculative and involves a high degree of risk. You should carefully consider the risks set out below and under the heading "*Risk Factors*" beginning on page 25 of the AIF, and the other documents incorporated by reference in this short form prospectus that summarize the risks that may materially affect the Company's business before making an investment in the Company's securities. Please see "*Documents Incorporated by Reference*". If any of these risks occur, the Company's business, results of operations or financial condition could be materially adversely affected. In that case, the trading price of the securities could decline, and you may lose all or part of your investment. The risks set out in the documents indicated above are not the only risks the Company faces. You should also refer to the other information set forth in this short form prospectus as well as those incorporated by reference herein and therein, including financial statements and the related notes.

Risk Factors Related to the Offering and the Offered Shares and Offered Warrants

There can be no assurance that the Offering will be completed

The completion of the Offering is subject to the completion of definitive binding documentation and satisfaction of a number of conditions. There can be no certainty that the Offering will be completed.

There will be no market for the Offered Warrants

The Company has not applied and does not intend to apply to list the Offered Warrants on any securities exchange. There will be no market through which the Offered Warrants may be sold and purchasers may not be able to resell the Offered Warrants purchased in the Offering. This may affect the pricing of the Offered Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered Warrants, and the extent of issuer regulation. The Offering Price will be determined by negotiations between the Company and the Agent.

Management has indicated its plan for the use of proceeds of any particular Offering in this short form prospectus, but will ultimately exercise its discretion respecting how such funds are put to use

The Company currently intends to allocate the net proceeds received from a particular Offering as described in this short form prospectus, however, management will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under "Use of Proceeds" if it believes it would be in the Company's best interests to do so. Shareholders may not agree with the manner in which Company chooses to allocate and spend the net proceeds of a particular Offering. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business. Additionally, the Company may not be successful in implementing the Company's business strategies and the Company may need to reallocate the net proceeds of the Offering to other purposes, including potentially to working capital.

There is no guarantee of any positive return on securities of the Company

There is no guarantee that Offered Shares or Warrant Shares will earn any positive return in the short-term or long-term. A holding of securities is speculative and involves a high degree of risk and should be undertaken only by holders whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. A holding of securities is appropriate only for holders who have the capacity to absorb a loss of some or all of their holdings.

Enforcement of judgments against foreign persons may not be possible

Canadian investors should be aware that each of the Non-Resident Directors resides outside of Canada; as a result, it may not be possible for purchasers of the Offered Shares and/or Offered Warrants to effect service of process within Canada upon the Non-Resident Directors. All or a substantial portion of the assets of each of the Non-Resident Directors are likely to be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Non-Resident Directors in Canada or to enforce a judgment obtained in Canadian courts against the Non-Resident Directors outside of Canada.

The price of the Common Shares in public markets may experience significant fluctuations

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including but not limited to: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition or departure of the Company's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on Common Shares; (vi) sales or perceived sales of Common Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

The Company is subject to risks related to additional regulatory burden and controls over financial reporting.

The Company is subject to the continuous and timely disclosure requirements of Canadian securities laws and the rules, regulations and policies of the TSXV. These rules, regulations and policies relate to, among other things, corporate governance, corporate controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, there is no assurance that these and other measures that it may take will be sufficient to allow the Company to satisfy its obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies create additional costs for the Company and require the time and attention of management of the Company. The Company cannot predict the amount of the additional costs that the Company may incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business. In addition, the Company's inability to maintain effective internal controls over financial reporting could increase the risk of an error in its financial statements. The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives due to its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is therefore subject to error, improper override or improper application of the internal controls. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis, and although it is possible to incorporate safeguards into the financial reporting process to reduce this risk, they cannot be guaranteed to entirely eliminate it. If the Company fails to maintain effective internal control over financial reporting, then there is an increased risk of an error in the Company's financial statements that could result in the Company being required to restate previously issued financial statements at a later date.

ELIGIBILITY FOR INVESTMENT

In the opinion of Mintz LLP, counsel for the Company, and Baker & McKenzie LLP, counsel to the Agent, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Regulations**”) in force as of the date hereof,

- the Offered Shares and Warrant Shares will, if issued on the date hereof, be qualified investments for trusts governed by registered retirement savings plans (each a “**RRSP**”), registered education savings plans (each a “**RESP**”), registered retirement income funds (each a “**RRIF**”), registered disability savings plans (each a “**RDSP**”), deferred profit sharing plans and tax-free savings accounts (each a “**TFSA**”), all within the meaning of the Tax Act (collectively, “**Plans**”) provided that the Offered Shares and Warrant Shares are, on the date hereof, listed on a “designated stock exchange” as defined in the Tax Act (which includes the TSXV); and
- the Offered Warrants will, if issued on the date hereof, be qualified investments for Plans provided that the Warrant Shares are, on the date hereof, listed on a “designated stock exchange” as defined in the Tax Act (which includes the TSXV) and the Company is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Plan.

Notwithstanding the foregoing, if the Offered Shares, Warrant Shares or Offered Warrants held by a TFSA, RRSP, RRIF, RDSP or RESP are “prohibited investments” for purposes of the Tax Act, the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP will be subject to a penalty tax as set out in the Tax Act. As of the date hereof, the Offered Shares, Warrant Shares and Offered Warrants will be a “prohibited investment” if the holder of a TFSA or RDSP, the annuitant of a RRSP or RRIF or the subscriber of the RESP, as the case may be: (i) does not deal at arm’s length with the Company for purposes of the Tax Act; or (ii) has a “significant interest” (within the meaning of the Tax Act) in the Company. In addition, the Offered Shares, Warrant Shares and Offered Warrants will not be a “prohibited investment” if the Offered Shares, Warrant Shares and Offered Warrants are “excluded property”, as defined in the Tax Act, for a TFSA, RRSP, RRIF, RDSP or RESP. Holders who intend to hold Offered Shares, Warrant Shares or Offered Warrants in a TFSA, RRSP, RRIF, RDSP or RESP should consult their own tax advisors in this regard.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Mintz LLP, counsel to the Company, and Baker & McKenzie LLP, counsel to the Agent, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act and Regulations thereunder to the acquisition, holding and disposition of Offered Shares, Warrant Shares or Offered Warrants by a holder (“**Holder**” and collectively, the “**Holders**”) who acquires Offered Shares or Offered Warrants pursuant to this short form prospectus or acquires Warrant Shares upon the exercise of the Offered Warrants. For the purposes of this summary, the term “Common Shares” shall also include the Offered Shares and any Warrant Shares acquired upon the exercise of the Offered Warrants, unless the context otherwise requires. This summary is applicable to a Holder who, for the purposes of the Tax Act and at all relevant times, deals at arm’s length with, and is not affiliated with the Company and holds Common Shares and Offered Warrants, and will hold the Warrant Shares, as capital property. Generally, the Common Shares, the Warrant Shares or Offered Warrants will be considered to be capital property to a Holder provided that the Holder does not hold such Common Shares or Offered Warrants in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a “financial institution” for purposes of the “mark-to-market” rules in the Tax Act; (ii) that is a “specified financial institution” within the meaning of the Tax Act; (iii) that reports its “Canadian tax results” within the meaning of the Tax Act in a currency other than Canadian currency; (iv) an interest in which is, a “tax shelter investment” within the meaning of the Tax Act; (v) that has entered or will enter into a “derivative forward agreement” or “synthetic disposition agreement”, each within the meaning of the Tax Act, in respect of Common Shares and/or Offered Warrants; (vi) that receives dividends on Common Shares under or as part of a “dividend rental arrangement” within the meaning of the Tax Act; or (vii) a Holder that is a corporation resident in Canada (for purposes of the Tax Act) and is, or becomes as part of a transaction or event or series of

transactions or events that includes the acquisition of the Offered Shares and Warrant Shares, controlled by a non-resident person or group of non-resident persons who do not deal at arm's length with each other, for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. This summary does not address the deductibility of interest by a Holder who has borrowed money to acquire the Offered Shares, Warrant Shares or Offered Warrants or the tax consequences for an individual Holder who acquired Offered Shares, Warrant Shares or Offered Warrants as a benefit from employment. All such Holders should consult with their own tax advisors with respect to their own particular circumstances.

This summary is based upon the current provisions of the Tax Act and the Regulations thereunder in force as of the date hereof, all specific proposals to amend the Tax Act and Regulations thereunder (the "**Tax Proposals**") which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") which have been made publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law or in the administrative policies or assessing practices of the CRA, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that the Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares or Offered Warrants. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Common Shares and Offered Warrants, based on their particular circumstances.

Currency Conversion

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares and Offered Warrants (including dividends, adjusted cost base and proceeds of disposition) must generally be expressed in Canadian Dollars. Amounts denominated in any other currency must be converted into Canadian Dollars generally based on the exchange rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

Acquisition of Common Shares and Offered Warrants

When Common Shares (including an Offered Share) or Offered Warrants are acquired by a Holder who already owns Common Shares or Offered Warrants, the cost of newly acquired Common Shares or Offered Warrants will be averaged with the adjusted cost base of all Common Shares or Offered Warrants, respectively, owned by the Holder as capital property before that time for the purpose of determining the Holder's adjusted cost base of all Common Shares and Offered Warrants, as the case may be, held by such person.

Exercise of Warrants

The exercise of an Offered Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act and consequently no gain or loss will be realized by a Holder upon such an exercise. When an Offered Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Offered Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all other Common Shares owned by the Holder and held as capital property immediately prior to such acquisition.

Holders Resident in Canada

The following section of this summary is generally applicable to a Holder who, for purposes of the Tax Act and any applicable tax treaty or convention, is or is deemed to be a resident of Canada at all relevant times (a “**Resident Holder**”). Certain Resident Holders who might not otherwise be considered to hold Common Shares as capital property may, in certain circumstances, be entitled to have such Common Shares (but, for avoidance of doubt, not Warrants) and all other “Canadian securities” as defined in the Tax Act owned by them in the year in which the election is made and all subsequent taxation years treated as capital property by making an irrevocable election under subsection 39(4) of the Tax Act. This election will not be available for Offered Warrants. **Resident Holders contemplating such an election should consult their own advisors.**

Expiry of Offered Warrants

In the event of the expiry of an unexercised Offered Warrant, the Resident Holder will realize a capital loss equal to the Resident Holder’s adjusted cost base of such Offered Warrant. The tax treatment of capital gains and losses is discussed in greater detail below under the subheading “*Capital Gains and Losses*”.

Dividends

Dividends received or deemed to be received on the Common Shares will be included in computing the Resident Holder’s income. In the case of a Resident Holder that is an individual (other than certain trusts) such dividends will be subject to the gross-up and dividend tax credit rules applicable in respect of taxable dividends received from “taxable Canadian corporations” (as defined in the Tax Act). An enhanced dividend tax credit will generally be available to a Resident Holder that is an individual in respect of dividends designated by the Company as “eligible dividends”. There may be limitations on the ability of the Company to designate dividends as “eligible dividends” and the Company has made no commitments in this regard. Resident Holders who are individuals (other than certain trusts) may be subject to alternative minimum tax in respect of taxable dividends.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividends that is included in its income for a taxation year received or deemed to be received on the Common Shares will generally be deductible in computing its taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

Resident Holders that are “private corporations” (as defined in the Tax Act) or “subject corporations” (as defined in the Tax Act) may be subject to a refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year. This refundable tax generally will be refunded to a Resident Holder that is a corporation when sufficient taxable dividends are paid to its shareholders while it is a private corporation or subject corporation.

Disposition of Common Shares and Offered Warrants

A disposition or deemed disposition by a Resident Holder of Common Shares (other than to the Company that is otherwise than a purchase by the Company of Common Shares in the open market in a manner in which such shares would normally be purchased by any member of the public in the open market) or Offered Warrants (which, as discussed above, does not include an exercise of Offered Warrants to acquire such Warrant Shares and other than on the expiry of Offered Warrants, which is discussed above under the subheading “*Expiry of Offered Warrants*”) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of reasonable costs of disposition, are greater (or less) than such Resident Holder’s adjusted cost base of such Common Shares or Offered Warrants, as the case may be, immediately before the disposition or deemed disposition.

The tax treatment of capital gains and losses is discussed in greater detail below under the subheading “*Capital Gains and Losses*”.

Capital Gains and Losses

Generally, one-half of any capital gain will be included in the Resident Holder's income as a taxable capital gain and one-half of any capital loss must normally be deducted as an allowable capital loss against taxable capital gains realized in the taxation year of disposition or deemed disposition to the extent and under the circumstances described in the Tax Act. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year to the extent and in the circumstances prescribed in the Tax Act.

If the Resident Holder is a corporation, any capital loss arising on the disposition or deemed disposition of a Common Share may, in certain circumstances, be reduced by the amount of any dividends previously received or deemed to have been previously received on the Common Share. Similar rules may apply to reduce any capital loss in respect of the disposition or deemed disposition of Common Shares held by a trust or partnership of which a corporation, partnership or trust is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) or a "Substantive CCPC" (as defined in the Tax Proposals related on August 9, 2022) may be required to pay an additional refundable tax on certain investment income, including taxable capital gains. Resident Holders who are individuals (other than certain trusts) may be subject to alternative minimum tax in respect of capital gains.

Resident Holders should consult and rely on their own tax advisors with respect to the application of these additional taxes based on their own particular circumstances.

Holders Not Resident in Canada

The following section of this summary is generally applicable to Holders who for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times (i) have not been and will not be deemed to be resident in Canada at any time while they hold the Common Shares or Offered Warrants; and (ii) do not use or hold the Common Shares or Offered Warrants in carrying on a business in Canada ("**Non-Resident Holders**").

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the *Canada-United States Tax Convention (1980)*, as amended (the "**Treaty**"), the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the United States for purposes of the Treaty and fully entitled to benefits under the Treaty (a "**U.S. Holder**") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company's voting shares).

Dispositions of Common Shares and Offered Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share or an Offered Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Offered Warrant constitutes "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Common Shares are listed on a "designated stock exchange", as defined in the Tax Act (which includes the TSXV), at the time of disposition, the Common Shares and Offered Warrants generally will not constitute taxable

Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the Common Shares of the Company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, a Common Share or Offered Warrant may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act in certain circumstances. A Non-Resident Holder's capital gain (or capital loss) in respect of a disposition of Common Shares or Offered Warrants that constitute or are deemed to constitute taxable Canadian property to a Non-Resident Holder (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheading "*Holders Resident in Canada — Disposition of Common Shares and Offered Warrants*". Non-Resident Holders whose Common Shares or Offered Warrants are taxable Canadian property should consult their own tax advisors regarding the tax and compliance considerations that may be relevant to them.

RELATIONSHIP BETWEEN THE COMPANY AND THE AGENT

The Company may be considered a "connected issuer" of the Agent under applicable Canadian securities laws. The Agent is an affiliate of Bloom Burton Development Corporation and Bloom Burton & Co. Inc., each of whom either beneficially owns or exercises control and direction over securities of the Company. In addition, Brian Bloom, a director of the Company is also an officer and director of the Agent and, together with Brian Jolyon Burton, exercises joint control and direction over all Bloom Burton entities. The Bloom Burton entities and Brian Bloom together, hold approximately 18.1% of the issued and outstanding common shares of Satellos and approximately 17.1% on a fully diluted basis.

The Company has agreed to pay the Agent, on the Closing Date, the Agent's Commission equal to 7% of the aggregate gross proceeds of the Offering (or \$[●] per Offered Share and/or Offered Warrant). In addition to the Agent's Commission, the Company will issue to the Agent, on the Closing Date, Compensation Options to purchase such number of Compensation Option Shares as is equal to 7% of the aggregate number of Offered Shares and Offered Warrants issued pursuant to the Offering. Each Compensation Option, shall entitle an Agent to acquire one Compensation Option Share at an exercise price of \$[●], subject to adjustment, for a period of 24 months following the Closing Date. The Agent will not receive any of the proceeds of the Offering, other than the Agent's Commission and the Compensation Options.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc., 510 Burrard Street, 3rd Floor, Vancouver, British Columbia, V6C 3B9.

EXPERTS

Our auditor is MNP LLP, Chartered Professional Accountants, of Toronto, Ontario. MNP LLP has advised the Company that it is independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario Code of Professional Conduct.

PROMOTERS

Each of Frank Gleeson and Michael Rudnicki may be considered to be a "promoter" of the Company within the meaning of applicable Canadian securities laws (each, a "**Promoter**"). Mr. Gleeson, currently owns, or exercises control or direction over, 3,440,389 Common Shares representing approximately 8.1% of the issued and outstanding Common Shares on a non-diluted basis. Dr. Rudnicki currently owns, or exercises control or direction over, 3,084,220 Common Shares representing approximately 7.3% of the issued and outstanding Common Shares on a non-diluted basis. Mr. Gleeson receives compensation from the Company for his services as Chief Executive Officer of the Company and has been granted 1,254,400 options pursuant to the Company's stock option plan. Dr. Rudnicki receives

compensation from the Company for his services as Chief Scientific Officer of the Company and has been granted 610,400 options pursuant to the Company's stock option plan. The statement as to the number of Common Shares beneficially owned, or over which a Promoter exercises control or direction, directly or indirectly, not being within the knowledge of the Company, has been obtained from the System for Electronic Disclosure by Insiders.

No Promoter of the Company is, as at the date of this short form prospectus, or has been within 10 years prior to the date of this short form prospectus, a director, chief executive officer, or chief financial officer of any person or company, that:

- (a) was subject to an order that was issued while the Promoter was acting in such capacity; or
- (b) was subject to an order that was issued after the Promoter ceased to act in such capacity and which resulted from an event that occurred while the Promoter was acting in such capacity.

No Promoter of the Company is, as at the date of this short form prospectus, or has been within the 10 years prior to the date of this short form prospectus, a director or executive officer of any person or company that, while the Promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No Promoter of the Company has, within the 10 years prior to the date of this short form prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Promoter.

LEGAL MATTERS

Certain legal matters relating to the Offering and the validity of the securities offered by this short form prospectus are being passed upon for the Company by Mintz LLP, the Company's Canadian counsel, and on behalf of the Agent by Baker & McKenzie LLP.

As of the date hereof, the "designated professionals" (as such term is defined in Form 51-102F2 – *Annual Information Form*) of each of Mintz LLP and Baker & McKenzie LLP, respectively, beneficially own, directly or indirectly, less than 1% of the Company's issued and outstanding securities.

PURCHASERS' STATUTORY RIGHTS AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

Original purchasers of Offered Warrants are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is, under the securities legislation of certain provinces, limited to the price at which such Warrants were offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the Offered Warrants, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages, or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: April 18, 2023

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

SATELLOS BIOSCIENCE INC.

(SIGNED) “*Frank Gleeson*”

Chief Executive Officer

(SIGNED) “*Warren Whitehead*”

Chief Financial Officer

On behalf of the Board of Directors of SATELLOS BIOSCIENCE INC.

(SIGNED) “*Geoff MacKay*”

Director

(SIGNED) “*Adam Mostafa*”

Director

CERTIFICATE OF THE PROMOTERS

Dated: April 18, 2023

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

(SIGNED) “*Frank Gleeson*”

Promoter

(SIGNED) “*Michael Rudnicki*”

Promoter

CERTIFICATE OF THE AGENT

Dated: April 18, 2023

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

BLOOM BURTON SECURITIES INC.

(SIGNED) “*Jolyon Burton*”

President & Head of Investment Banking