Satellos Bioscience Announces 2023 Year End Financial Results and Operational Highlights

- Engaged CRO for first-in-human SAT-3247 Phase 1 clinical study

- Initiated GLP toxicity studies and GMP manufacturing of SAT-3247

- Continues to be on track to initiate first-in-human clinical trials mid-2024

- Cash balance of $39.6 million as at December 31, 2023

TORONTO--(BUSINESS WIRE)--March 27, 2024--**Satellos Bioscience Inc. (TSX: MSCL, OTCQB: MSCLF)** ("**Satellos**" or the "**Company**"), a regenerative medicine company aimed at developing therapeutics that change the way degenerative muscle diseases are treated, announced today its financial results and operational highlights for the year ended December 31, 2023. All references to currency in this press release are in Canadian dollars unless otherwise noted.

"2023 has been a pivotal year in transitioning Satellos from a discovery-stage company to a preclinical company, positioning Satellos to further transition into a clinical-stage company during 2024 as we work to advance our lead drug candidate, SAT-3247, into first-in-human studies," said Frank Gleeson, Co-founder and CEO, Satellos. "We've generated and publicly presented exciting preclinical data showing the broad potential of SAT-3247 to regenerate muscle tissue and disclosed its molecular drug target as AAK1. We look forward to initiating our clinical development program with a Phase 1 study of SAT-3247 mid-year."

PROGRAM AND BUSINESS UPDATE:

Highlights for the year ended December 31, 2023, along with recent developments include:

Advanced SAT-3247

During Q1, 2024, the Company engaged a contract research organization ("CRO") to design and implement its planned Phase 1 clinical trial for SAT-3247, initiated requisite GLP toxicology studies in two species with SAT-3247, made kilogram quantities of SAT-3247 under GLP conditions at the contract manufacturing organization it selected as its manufacturing partner, and initiated GMP manufacturing for SAT-3247. The Company continues to be on track to initiate and conduct a Phase 1 clinical trial in 2024 with SAT-3247.

Subsequent to the year end, on March 4, 2024, Satellos announced positive preclinical data presented at the Muscular Dystrophy Association Clinical and Scientific Conference. The preclinical data presented show the broad potential of SAT-3247 to improve skeletal muscle function as has been demonstrated in three mouse models of muscle degeneration: mdx model of Duchenne muscular dystrophy (DMD), FLExDUX4 model of facioscapulohumeral muscular dystrophy (FSHD), and a muscle injury model in wildtype mice. In all instances, treatment with SAT-3247 over a three-to-four-week period resulted in a statistically significant improvement in muscle force versus animals receiving placebo.

On November 14, 2023, the Company disclosed for the first time that the molecular drug target for the Duchenne program is AAK1 (formerly K9), a protein kinase in the Notch pathway, which the Company discovered can be modulated to enable muscle regeneration. Satellos also announced that SAT-3247 would be nominated as its lead development candidate with SAT-3153 becoming the backup development candidate. The Company based this change on preclinical data it generated demonstrating that, compared to SAT-3153, SAT-3247 exhibits improved oral bioavailability, target specificity, and tissue distribution. In addition, SAT-3247 exhibits a similar capacity to SAT-3153 to effect muscle regeneration and functional benefit in the mdx mouse model of Duchenne. These properties of SAT-3247 are viewed by the Company as important enhancements for clinical development of a novel therapeutic drug.

On August 1, 2023, Satellos announced that the U.S. Food and Drug Administration (FDA) had granted Orphan Drug Designation and Rare Pediatric Disease Designation to SAT-3153 for the potential treatment of DMD. Subsequent to year-end, Satellos submitted similar applications to the FDA for Orphan Drug and Rare Pediatric Disease Designations for SAT-3247.

Progressed Capital Markets Strategy

As reported, during May 2023, Satellos closed an equity offering led by healthcare specific institutional investors of common shares and pre-funded warrants for gross proceeds of $55 million. Investors purchased a total of 110,000,000 securities consisting of 70,297,220 common shares and 39,702,780 pre-funded warrants.

Subsequent to the year end, on February 15, 2024, trading of the Company’s common shares graduated from the TSX Venture Exchange to the Toronto Stock Exchange.

Throughout 2023 and to date in 2024, Satellos has increased investor exposure through invitations to attend and present at numerous bank sponsored conferences and through being named as Life Sciences Ontario ‘Company of the Year’ and recognized as a Top 50 TSX Venture Company.

Expanded Leadership Team

Following the $55 million financing in May 2023, Satellos expanded its leadership team to fulfill key positions including:

- Elizabeth Williams, CPA, CA, as Chief Financial Officer (CFO) of the Company. Ms. Williams has nearly 20 years of experience in biotech, working with publicly listed entities in both Canada and the United States.
- Michael Cross, PhD, MBA, as Chief Business Officer. Dr. Cross has more than 25 years of biotech and life science experience including financing and licensing transactions, operations, clinical development, and corporate strategy.
- Courtney Wells as Senior Vice President of Clinical Development Operations. Ms. Wells has more than 20 years of experience in clinical development including orphan and neuromuscular diseases. Among other achievements, Ms. Wells led the clinical trial programs resulting in regulatory approvals of the corticosteroid Emflaza® (deflazacort) for the treatment of DMD and the first-ever gene therapy for the treatment of spinal muscular atrophy, Zolgensma®.
- In addition to these appointments, Dr. Phil Lambert was appointed Chief Scientific Officer and Dr. Michael Rudnicki as Chief Discovery Officer.

Financial Results

Satellos had cash and cash equivalents and short-term investments of $39.6 million as of December 31, 2023, compared with $1.9 million at December 31, 2022. The increase in cash and cash equivalents and short-term investments is due to proceeds of the $55 million equity offering completed during 2023. Management estimates that based on current estimates cash on hand should provide runway through 2025 and advance SAT-3247 through pre-clinical work, IND submission, and subsequent Phase 1 studies.

For the year ended December 31, 2023, Satellos reported a net loss of $15.9 million ($0.18 loss per share), compared to a net loss $11.3 million ($0.32 loss per share) for the year ended December 31, 2022. The increase in net loss for the year ended December 31, 2023, compared with the year ended December 31, 2022, was primarily a result of higher R&D and G&A expenses in the current year period.

Research and development expenses increased to $8.8 million for the year ended December 31, 2023, compared to $3.7 million for the year ended December 31, 2022. The increase in R&D expenses was the result of higher salary and management fees related to new hires to advance our research programs, increased preclinical pre-IND-enabling expenses and chemistry, manufacturing, and controls expenses for work ongoing in the current year as SAT-3247 advanced from the discovery stage to the pre-clinical stage of development. These increases were offset by lower discovery expenditures as the Company selected its lead candidate in 2023 and has advanced into the pre-clinical stage of development. Non-cash stock-based compensation increased in the current year due to more grants in the current year period associated with new hires and increased headcount.

General and administrative expenses increased to $6.6 million for the year ended December 31, 2023, as compared to $4.7 million for the year ended December 31, 2022. The increase in general and administrative expenses in the current year period is primarily the result of increased salary and management fees related to increased headcount, salary adjustments, and variable compensation in the year, higher professional fees associated with increased legal fees, consultant fees, and investor relations expenses. Non-cash stock-based compensation increased due to new grants issued in the current fiscal year offset by higher fair value of options granted in the prior periods.

Satellos' audited financial statements for the year ended December 31, 2023, and the related management's discussion and analysis (MD&A) will be available on SEDAR+ at www.sedarplus.ca.

About Satellos Bioscience Inc.

Satellos is a publicly traded biotechnology company dedicated to developing life-improving medicines to treat degenerative muscle diseases. Satellos has incorporated breakthrough research in muscle stem cell polarity into a proprietary discovery platform, called MyoReGenX™, to identify degenerative muscle diseases where deficits in this process affect muscle regeneration and are amenable to therapeutic intervention. With this platform, Satellos is building a pipeline of novel therapeutics to correct muscle stem cell polarity and promote the body's innate muscle repair and regeneration process. The Company's lead program is an oral, small molecule drug candidate in development as a potential disease-modifying treatment for Duchenne muscular dystrophy. Satellos is headquartered in Toronto, Ontario. For more information, visit www.satellos.com.

Notice on Forward-Looking Statements

This press release includes forward-looking information or forward-looking statements within the meaning of applicable securities laws regarding Satellos and its business, which may include, but are not limited to, statements regarding the anticipated benefits to patients from a small molecule treatment for Duchenne; the advancement of our lead drug candidate into clinical trials; the potential of our approach in other degenerative muscle diseases or in muscle injury or trauma; the general benefits of modulating stem cell polarity by administering small molecule drugs; its/their prospective impact on Duchenne patients, patients with other degenerative muscle disease or muscle injury or trauma, and on muscle regeneration generally; the utility of regenerating muscle by modulating polarity; adoption of Satellos' approach by the medical community; and Satellos' technologies and drug development plans. All statements that are, or information which is, not historical facts, including without limitation, statements regarding future estimates, plans, programs, forecasts, projections, objectives, assumptions, expectations or beliefs of future performance, occurrences or developments, are "forward-looking information or statements." Often but not always, forward-looking information or statements can be identified by the use of words such as "shall", "intends", "anticipate", "believe", "plan", "expect", "intend", "estimate", "anticipate", "potential", "prospective" , "assert" or any variations (including negative or plural variations) of such words and phrases, or state that certain actions, events or results "may", "might", "can", "could", "would" or "will" be taken, occur, lead to, result in, or, be achieved. Such statements are based on the current expectations and views of future events of the management of the Company. They are based on assumptions and subject to risks and uncertainties. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. The forward-looking events and circumstances discussed in this release, may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the Company, including, without limitation, risks relating to the pharmaceutical and bioscience industry (including the risks associated with preclinical and clinical trials and regulatory approvals), and the research and development of therapeutics, the results of preclinical and clinical trials, general market conditions and equity markets, economic factors and management's ability to manage and to operate the business of the Company generally, including inflation and the costs of operating a biopharma business, and those risks listed in the "Risk Factors" section of Satellos' Annual Information Form dated March 26, 2024 (which is located on Satellos' profile at www.sedarplus.ca). Although Satellos has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Accordingly, readers should not place undue reliance on any forward-looking statements or information. No forward- looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Satellos does not undertake any obligation to publicly update or revise any forward-looking statement, whether resulting from new information, future events, or otherwise.

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