NOTICE TO READER

March 28, 2024

Satellos Bioscience Inc. (the "Issuer") – Refiling of Management's Discussion and Analysis ("MD&A) for the Financial Year Ended December 31, 2023.

The MD&A of the Issuer for the financial year ended December 31, 2023 appended hereto is being refiled to amend the effective date to March 27, 2024, the date of the Issuer's audited annual consolidated financial statements and auditor letter. No other changes have been made to the contents of the MD&A.

This notice does not form part of the MD&A.

satellos

SATELLOS BIOSCIENCE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2023 and 2022

This management's discussion and analysis ("**MD&A**") has been prepared as of March 27, 2024 and provides an analysis of the financial results of Satellos Bioscience Inc. ("**Satellos**" or the "**Company**") for the years ended December 31, 2023, and December 31, 2022. The MD&A should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2023 and December 31, 2022 and the related notes thereto (together, the "**audited annual consolidated financial statements**"). The audited annual consolidated financial statements were prepared in accordance with IFRS as issued by IASB. All dollar amounts are expressed in Canadian dollars unless otherwise noted. Where applicable, the currency of the United States is referred to throughout as "US dollars" or "US$", and the currency of Australia is referred to throughout as "Australian dollars" or "A$".

FORWARD-LOOKING STATEMENTS

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

- our belief that the Company will be successful in raising additional capital to continue as a going concern;
- the expected research and development timelines, therapeutic benefits, effectiveness and safety of our product candidates;
- our belief that the Company's products and research and development efforts are targeting diseases and conditions with significant unmet medical treatment needs;
- 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 AAK1 drug target (both as further described herein) represent drug development opportunities similar or superior to modulation of the EGFR signaling pathway;
- our intentions of developing inhibitors to AAK1 (including but not limited to SAT-3247 and SAT-3153) and in showing that such potential inhibitors have desirable effects in relevant models of Duchenne muscular dystrophy ("**Duchenne**") and in other indications, such as other degenerative muscle diseases, muscle injury or trauma, or muscle regeneration generally;
- our expectations that we will identify predictive biomarkers as discussed herein which 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 have the potential to be commercially competitive with research and development activities, preclinical studies, safety studies or clinical trials conducted by other parties;
- discoveries we have made in muscle stem cell regulation having the potential to represent insights into a potential root cause of degenerative muscle disorders which has previously not been recognized and which may be therapeutically relevant in the treatment of degenerative muscle disorders;
- 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 that of our partners (if any) 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, including, but not limited to, our ability to determine appropriate dosing regimens;
- 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 future enrolment into clinical trials and the timing of future enrolment into clinical trials 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 preclinical and/or clinical research and development capability, and regulatory and commercialization expertise to enable the development and future commercialization of our technology or products, 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 research and clinical development and/or sales and marketing capabilities and the expected benefits that could be derived therefrom;
- our ability to generate and protect our potential 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;
- our ability to establish suitable CMC and GMP protocols as further described herein;
- 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;
- 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;
- the potential revenue that may be generated from our products, pricing and reimbursement of the patient cost of our drug products by insurers or national health systems, as the case may be, in those jurisdictions where the Company intends to sell its drug products and our ability to achieve profitability;
- 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; and
- general business and economic conditions and outlook including, but not limited to, foreign exchange rates and rates of inflation.

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

- obtaining positive results from our research and development activities, including clinical trials;
- our ability to obtain regulatory approvals;
- assumptions regarding general business, market and economic conditions;
- assumptions regarding the cost and timing of each study;
- the Company's ability to successfully advance its preclinical and clinical development programs and execute its plans substantially as currently envisioned;
- the Company's ability to identify and advance a suitable drug candidate;
- assumptions related to the pricing and reimbursement of its drug products in jurisdictions in which the Company intends to sell its drug products;

- 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; and
- the Company's ability to protect patents and proprietary rights;

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined under the headings "*Foreign Currency Risk"*, "*Liquidity Risk*", "*Credit Risk*" and "*Risks and Uncertainties*" in this MD&A and the risks outlined in the Company's annual information form for the year ended December 31, 2023 dated March 27, 2024 (the "**AIF**"). Certain risks and uncertainties that could cause such actual events or results expressed or implied by such forward-looking statements and information to differ materially from any future events or results expressed or implied by such statements and information include, but are not limited to:

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

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

Overview of the Business

Satellos Bioscience Inc. was incorporated under the *Canada Business Corporation Act* (the "**CBCA**") on July 27, 2012 ("**Pre-Arrangement Satellos**"). iCo Therapeutics Inc. ("**iCo**") was incorporated under the *Business Corporations Act* (British Columbia) on April 20, 2006, and completed a reverse take-over transaction by way of statutory arrangement onto the TSX Venture Exchange.

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. Following the Arrangement, the Common Shares traded on the TSXV under the trading symbol "MSCL". Subsequent to the year end and as announced on February 14, 2024, the Company commenced trading on the Toronto Stock Exchange (the "TSX") on February 15, 2024, under the symbol "MSCL", and was delisted from the TSXV effective as of the close of the market on February 14, 2024.

As at December 31, 2023, the Company had three wholly owned subsidiaries, Amphotericin B Technologies, Inc. (an entity incorporated under the *Business Corporations Act* (British Columbia)) ("**Amp B**"), Satellos Bioscience Australia Pty Ltd. (an entity incorporated under the laws of Australia) and Satellos Bioscience US, Inc. (incorporated under the laws of Delaware, USA).

The Company's head office is located at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J3, and the Company's registered and records office is located at Royal Bank Plaza, South Tower, 200 Bay St., Suite 2800, Toronto, Ontario, M5J 2J3.

Satellos is a publicly traded (TSX: MSCL) 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 drug candidate is an oral, small molecule drug candidate in development as a potential disease-modifying treatment for Duchenne muscular dystrophy.

Achievements and Highlights since Dec 31, 2022

On January 3, 2023, Satellos nominated SAT-3153 as its then pre-IND lead development candidate ("**DC**"). Throughout 2023 the Company continued its drug development efforts. As part of its ongoing efforts to advance SAT-3153 into clinical development on a timely basis and generate back-up compounds as detailed below, the Company generated additional relevant information and made new observations or discoveries informing the properties and characteristics the Company determined would be most beneficial, based on its new learnings, for the purpose of developing an inhibitor of AAK1 (as further described below) designed to modulate the muscle stem cell driven regenerative process. Through these efforts, as further described below, the Company identified a new molecule, SAT-3247, which it believes has the potential to be a superior compound to SAT-3153 for the intended purpose noted herein. Consequently, on November 14, 2023, SAT-3247 was promoted as lead DC with SAT-3153 becoming the back-up DC.

On March 9, 2023, the Company announced preclinical results using the Company's lead drug candidate SAT-3153 in the Mdx model of Duchenne indicating positive effects on stem cell polarity and muscle function, as well as an update on certain drug-like characteristics.

On March 24, 2023, the Company closed the Debenture Offering (see the **Debenture Offering** below) pursuant to which the Company issued 2,385 Debenture Units and raised gross proceeds $2,385,000. On August 14, 2023, the Company exercised its option to repay all of the Debentures.

On May 17, 2023, the Company closed the Equity Offering (see the **Equity Offering in May 2023** below), issuing either Common Shares at $0.50 per Common Share or pre-funded Common Share purchase warrants (Pre-Funded Warrants) with no expiry date for $0.49999 per Pre-Funded Warrant. Investors purchased 70,297,220 Common Shares and 39,702,780 Pre-Funded Warrants for gross proceeds of $55 million.

On June 7, 2023, Satellos announced the appointment of Alan K. Jacobs, MD as Chief Medical Officer (CMO) of the Company.

On August 2, 2023, Satellos announced that U.S. FDA granted Orphan Drug Designation and Rare Pediatric Disease Designation to SAT-3153 for the potential treatment of Duchenne muscular dystrophy as described in more detail below.

On September 5, 2023, Satellos announced the appointment of Elizabeth Williams, CPA, CA as Chief Financial Officer (CFO) of the Company and that Warren Whitehead, CPA, CMA, who had then had served as CFO for Satellos for two years, would become Head of Corporate Strategy. Ms. Williams has nearly 20 years of experience in biotech, working with publicly listed entities in both Canada and the United States.

On November 14, 2023, the Company disclosed for the first time that the 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 the lead DC based on results generated by the Company during its preclinical studies. Preclinical data generated by Satellos demonstrated that SAT-3153 and SAT-3247 have a similar capacity to affect muscle regeneration and functional benefit in the mdx mouse model of Duchenne. SAT-3247 also exhibited improved oral bioavailability, target specificity and tissue distribution when compared directly to SAT-3153 in preclinical studies. Henceforth, Satellos is conducting IND-enabling studies with SAT-3247.

In addition, on November 14, 2023, Satellos announced the appointment of Ms. Courtney Wells as Senior Vice President of Clinical Development Operations to lead and implement the clinical trial plans. Ms. Wells has more than 20 years of experience in clinical development for large pharmaceutical companies and innovative biotech companies, including orphan diseases and Duchenne.

On November 22, 2023, the Company announced the appointment of Michael Cross, PhD, MBA, as Chief Business Officer of the Company. Dr. Cross has more than 25 years of biotech and life science experience with demonstrated success in financing and licensing transactions and leadership in operations, clinical product development and corporate strategy.

Subsequent Events – 2024

On January 23, 2024, the Company announced the departure of Alan Jacobs, M.D., as Chief Medical Officer and the appointment of Jordan Dubow, M.D. as Chief Medical Advisor.

On February 13, 2024, the Company announced positive preliminary data showing SAT-3247 can improve skeletal muscle function in a mouse model of facioscapulohumeral muscular dystrophy ("**FSHD**"). FSHD, an adult-onset muscular dystrophy that results in the progressive destruction of muscle tissue, is the third most common muscular dystrophy behind Duchenne (& Beckers) and myotonic dystrophy. In research conducted under a grant from the FSHD Canada Foundation, Satellos demonstrated that treatment with SAT-3247 successfully improved the phenotype of FSHD mice.

On February 14, 2024, the Company announced that it would commence trading on the TSX on February 15, 2024, under the symbol "MSCL", and delist from the TSXV effective as of the close of the market on February 14, 2024.

On March 4, 2024, Satellos announced positive preclinical data presented at the Muscular Dystrophy Association Clinical and Scientific Conference showing that SAT-3247 can improve skeletal muscle function in multiple mouse models of muscle degeneration. We believe that 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: the mdx model of Duchenne, the FLExDUX4 model of 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.

During Q1, 2024, the Company initiated its GLP toxicology studies in two species with SAT-3247, made kilogram quantities of SAT-3247 under GLP conditions at the contract manufacturing organization ("CMO") it selected as its manufacturing partner, and initiated GMP manufacturing for SAT-3247 so that the Company remains on track to initiate clinical trials in 2024 with SAT-3247. The Company also submitted applications to the FDA for Orphan Drug and Rare Pediatric Disease designations for SAT-3247.

Description of Business Strategy and Programs

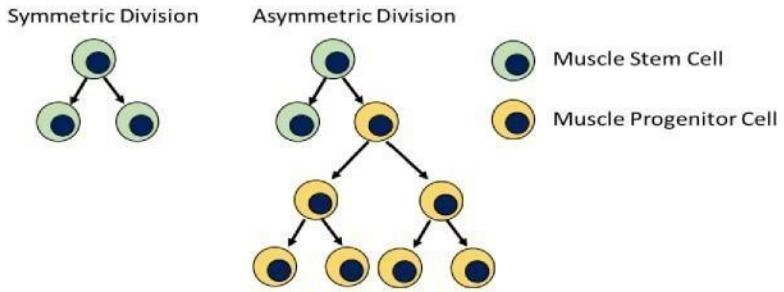
Satellos is a drug discovery and development company with a focus on muscle regeneration. Since completion of the Arrangement, Satellos is generally comprised of two broad drug development portfolios: (1) intellectual property, trademarks and know-how which was previously owned and under development by Pre-Arrangement Satellos (the "**Satellos Portfolio**"); and (2) intellectual property and assets which were previously owned and under development by iCo (the "**iCo Portfolio**"). The Company devotes 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 is based on discoveries by the Company's scientific founder and Chief Discovery 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.

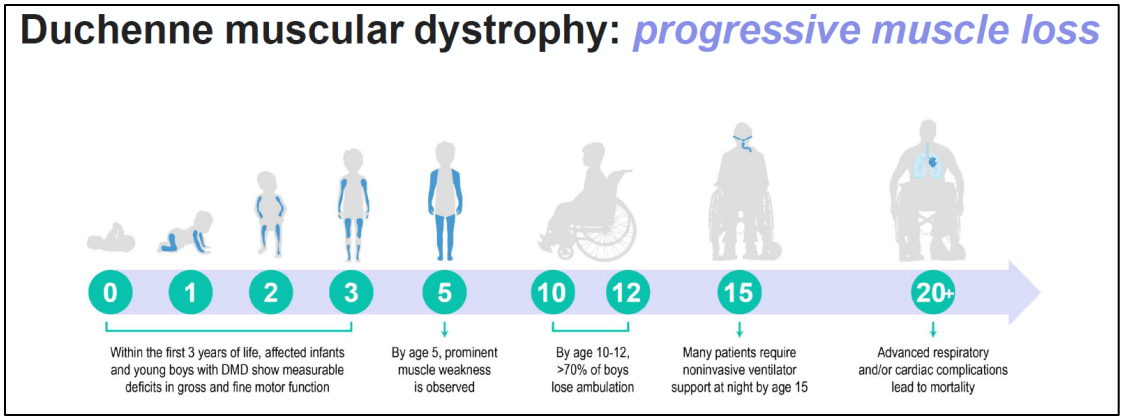


Fundamentally, symmetric divisions result in two identical copies of the stem cell through the process of self-renewal. Asymmetric stem cell divisions, by contrast, result in one stem cell being produced and one daughter cell, committed to eventual differentiation, called a progenitor muscle cell. Progenitor muscle cells undergo normal mitosis to generate potentially thousands of 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 employs a proprietary discovery platform developed by the Rudnicki laboratory at OHRI called, MyoReGenX™. An automated microscopy system, MyoReGenX™ recapitulates the muscle stem cell environment *ex-vivo* (i.e., outside the body) and 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**").

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. As depicted in the below graphic, 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. By the third decade of life, these patients often experience respiratory distress and heart failure, the leading causes of death in Duchenne. There is no known cure for Duchenne.



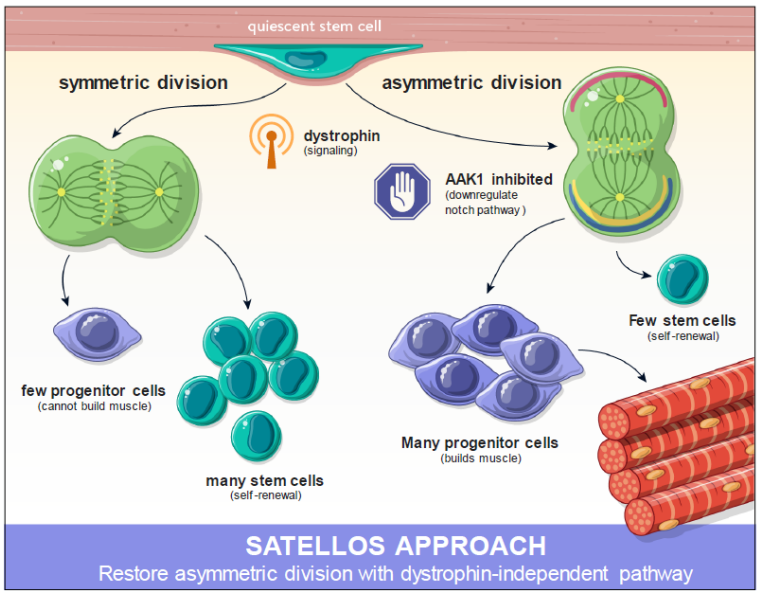
Duchenne is caused by a change or mutation in the dystrophin gene that results in impairment to or loss of the dystrophin protein. Dr. Rudnicki demonstrated that muscle stem cells require the dystrophin protein to properly and efficiently divide in an asymmetric fashion to generate muscle progenitor cells and enable muscle regeneration. As a direct result of the loss of the dystrophin protein, their innate role in regenerating muscle is severely impaired (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. Consequently, Satellos' therapeutic strategy is to restore this signaling role of dystrophin by drug treatment and reset the muscle regeneration process. We have identified a protein kinase drug target celled AAK1 (further discussed in the below paragraph) which we believe from our scientific work, when inhibited by drug, has the capacity to compensate for the loss of the signaling role of the dystrophin protein.

Deploying MyoReGenX™ to build on the identification and discovery of this previously unreported signaling role of dystrophin, in collaboration with the Rudnicki lab, Satellos undertook a systematic assessment of molecular pathways for their potential to rescue asymmetric stem cell divisions. The Company then evaluated and prioritized these pathways and further evaluated potential drug targets therein based on their capacity to safely and effectively regulate muscle stem cell driven regeneration. From this exercise conducted over a multi-year period, the Company identified and selected a particular protein kinase in the molecular signaling pathway known as **"Notch"**. For reasons of competitive secrecy and confidentiality this protein kinase was previously codenamed as "**K9**" but, on November 13, 2023, as noted earlier, was disclosed by the Company to be Adaptor Associated Kinase 1 (aka "**AAK1**"). We have shown in our preclinical studies in the mdx mouse model of Duchenne that modulating the Notch molecular signaling pathway via inhibition of AAK1 with either our lead or back-up DCs has the potential to impact regeneration and increase muscle force and thus we believe represents a potential novel therapeutic approach for the treatment of Duchenne in humans.

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). In further independent case reports, which we also believe support our thesis, Drs. L. Kunkel and M. Zatz have postulated that random genetic mutations affecting Notch signaling may be responsible for the existence of Duchenne humans who exhibit a milder disease course and who have continued to ambulate into their twenties despite the complete absence of the dystrophin protein (Sources: Zatz et al., Neuromuscular Disorders, 11/2014; Kunkel and Zatz (unpublished). They also have previously associated Notch signaling 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.

Satellos has generated Proof of Concept ("**POC**") preclinical 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 via the Notch pathway through inhibition of AAK1 with SAT-3153 or SAT-3247 has potential to restore the process by which stem cells enable ongoing muscle regeneration. Previously, as reported in the Company's Management Discussion and Analysis and AIF submissions prior to the year ended December 31, 2023, the Company showed that modulation of the EGFR pathway via inhibition of PTPN12 with a different drug candidate (SAT-732) also showed the ability to restore the regenerative process in Mdx mice. After evaluating its dataset from both pathways and taking into consideration, among other factors, projected development timelines, safety profiles of the drug targets, pharmaceutical properties of the drug candidates for each drug target, and general risk factors, the Company decided during 2022 to deprioritize the work on the EGFR pathway and focus further development activities in 2023 and beyond onto the "AAK1 Program" described in the section below.

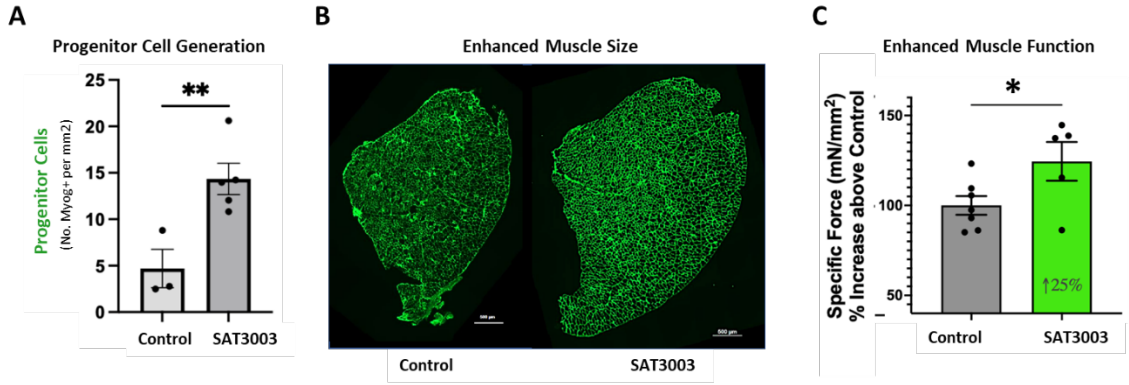


- ***AAK1 Program in Duchenne***

From preliminary experimental work by the Company, in which AAK1 was inhibited using genetic means, we demonstrated that modulation of Notch signaling in muscle stem cells via AAK1 inhibition could be achieved, leading to restoration of asymmetric divisions, muscle stem cell polarity and regeneration of skeletal muscle. Of interest to Satellos from a de-risking perspective, small molecule inhibitors of AAK1 have previously been described for non-muscle related disease indications by an independent 3rd party company and have demonstrated what appear to be acceptable safety profiles thus far in two Phase 1 and two Phase 2 human clinical trials spanning hundreds of patients (Lexicon Pharmaceuticals Inc. 2022 10K filing pages 5&6). Not only do we believe this provides some initial indications of the potential safety of AAK1 inhibition, but the existence of small molecule inhibitors of AAK1 indicated to the Company that (a) it may be possible to develop its own, proprietary small molecule inhibitors of AAK1 to suit its purpose as well as (b) it may also be able to quickly generate useful proof of concept ("**POC**") data.

As a first step, the Company has synthesized known small molecule inhibitors of AAK1 as 'reference' compounds **(i.e., compounds not owned or controlled by Satellos)** to be used for the purpose of informing its in-house drug discovery and development efforts. Treating *Mdx* mice with one such reference compound to generate POC data**,** which the Company named SAT-3003 solely for the purposes of confidentiality and internal tracking, produced similar results when benchmarked to the SAT-732 indicating the potential for the inhibition of AAK1 to be at least as effective as inhibition of PTPN12 in restoring muscle stem cell asymmetric division and regeneration. Effects on progenitor generation, muscle size and muscle function with SAT-3003 are shown in Figure 2 below.

Figure 2: 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.

Building on the above noted POC studies, Satellos applied artificial intelligence ("**AI**") tools and incorporated data generated therefrom into its existing drug discovery and development infrastructure to inform its strategic efforts to identify novel chemical matter as the basis for generating novel, proprietary and patentable inhibitors of AAK1 which Satellos would own. This effort yielded multiple chemical scaffolds from which the Company has designed, synthesized, tested and prioritized hundreds of compounds. Successive cycles of design, testing and modifications ultimately resulted in the Company's lead and back-up development candidates SAT-3247 and SAT-3153, respectively.

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, AAK1 (previously described as K9) and inhibitors thereof for the purpose of regeneration. Furthermore, the Company has subsequently filed, in consultation with its IP counsel, for distinct patent protection of its novel small molecule inhibitors of AAK1, including but not limited to the aforementioned SAT-3153 and SAT-3247.

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. 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. Subsequently, as further described below, the Company has nominated SAT-3247 as its lead DC while maintaining SAT-3153 as a back-up molecule.

On August 2, 2023, Satellos announced that U.S. Food and Drug Administration (FDA) granted Orphan Drug Designation and Rare Pediatric Disease Designation to SAT-3153 for the potential treatment of Duchenne muscular dystrophy. The FDA grants Orphan Drug Designation to support development of medicines for underserved patient populations, or rare disorders, that affect fewer than 200,000 people in the U.S. Orphan Drug Designation provides certain benefits, including the potential for a seven-year market

exclusivity upon regulatory approval, exemption from FDA application fees, tax credits for qualified clinical trials, and a priority review voucher. The FDA grants Rare Pediatric Disease Designation for serious and life-threatening diseases that primarily affect children ages 18 years or younger and fewer than 200,000 people in the United States. The Rare Pediatric Disease Priority Review Voucher Program is intended to address the challenges that drug companies face when developing treatments for these unique patient populations. Under this program, a sponsor who receives an approval for a drug or biologic for a "rare pediatric disease" may be eligible for a voucher that can be redeemed to receive priority review of a subsequent marketing application for a different product or sold to another sponsor for priority review of their marketing application. Subsequent to year-end, the Company has filed applications seeking Orphan Drug and Rare Pediatric Disease indications for SAT-3247.

On November 14, 2023, and as described earlier in this document, Satellos announced that SAT-3247 would be nominated as the lead DC based on results from its research efforts at continuous improvement and ongoing or new evidence generated in its preclinical efficacy models. For example, preclinical data generated by Satellos demonstrated that SAT-3153 and SAT-3247 have a similar capacity to affect muscle regeneration and functional benefit in the mdx mouse model of Duchenne. SAT-3247 also exhibited improved oral bioavailability, target specificity and tissue distribution when compared directly to SAT-3153.

On February 13, 2024, Satellos announced positive preliminary data generated through research conducted under a grant from the FSHD Canada Foundation showing that treatment with SAT-3247 can improve skeletal muscle function in a mouse model of facioscapulohumeral muscular dystrophy ("**FSHD**"). FSHD, an adult-onset muscular dystrophy that results in the progressive destruction of muscle tissue in the upper body, is the third most common muscular dystrophy behind Duchenne (& Beckers) and myotonic dystrophy. FSHD results from the erroneous expression of a gene product called DUX4; most treatments in development for FSHD are focused on trying to block the expression of DUX4. We believe the data we generated provides an indication that enhancing regeneration with SAT-3247 could represent a new or add-on therapeutic approach to the treatment of FSHD.

On March 4, 2024, Satellos announced positive preclinical data presented at the Muscular Dystrophy Association Clinical and Scientific Conference showing that SAT-3247 can improve skeletal muscle function in multiple mouse models of muscle degeneration. 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, FLExDUX4 model of 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.

Satellos is conducting IND-enabling studies and GMP manufacturing for SAT-3247 and remains on track to initiate and complete a Phase 1 clinical trial in healthy volunteers during 2024. Further, the Company has advanced its plans to request consultative meetings to discuss and seek input on its plans for preparing an 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 pharmacokinetic properties of SAT-3247 in healthy human volunteers in a Phase 1 safety and PK study before advancing to the treatment of Duchenne patients in Phase 1b/2a clinical trials where the potential for efficacy may also be explored (i.e., POC study/ies). Please refer to the section "Regulatory Process" in the Company's AIF for further details on the clinical drug development process.

It is anticipated that following successful completion of a Phase 1b/2a POC efficacy study/ies in Duchenne patients, the Company may be in position to explore licensing the AAK1 program in Duchenne to one or more potential partners with the capacity to continue further clinical development and commercialization of SAT-3247. Alternatively, the Company may raise additional capital to fund Phase 2b and/or Phase 3

pivotal clinical trials in order to seek regulatory authorization to advance SAT-3247 to market itself. A decision of this nature would be dependent on numerous factors at the time, including the data generated in the clinical trials, the capital markets conditions at the time, the attractiveness of licensing opportunities and shareholder expectations, among others.

The Company would expect the completion of clinical development through to obtaining regulatory authorization, if undertaken by the Company, to last through at least 2027, with a projected aggregate cost of approximately US$150 million, incremental to the current funds available to the Company. Additional time and capital would also be required to obtain pre-market approval for SAT-3247 and to complete business development, marketing and other pre-commercialization activities related to commercial launch.

Some of the stated timelines have been delayed from those previously disclosed in the MD&A for the year ended December 31, 2022. Specifically, the timeline to submit a request to hold a pre-IND meeting with the FDA, previously proposed to be completed in the first half of 2023, has changed. It is now anticipated that a request to hold a pre-IND meeting with the FDA will be made in the first half of 2024. This delay was primarily the result of time needed to refine and optimize the clinical strategy as well as to hire the personnel to oversee it and to manufacture drug substance and complete further pre-clinical development. Overall, this delay is not expected to materially impact the Company's ability to achieve its business objectives or further milestones as disclosed herein.

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 has conducted proof of concept preclinical studies in relevant animal disease models showing potential for benefit by restoring the muscle regeneration process in Lama-2 Related Muscular Dystrophy (prevalence estimates between one in 50,000 and one in 400,000 births), Collagen-VI Related Muscular Dystrophy (prevalence of severe form of the disease estimated to be one in 1,000,000 births) and FSHD (prevalence of 4 per 100,000 individuals). These represent potential follow-on disease indications or programs for Satellos to consider in the future. The Company also plans to evaluate additional dystrophies as part of its ongoing research and development efforts.

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. On August 2, 2023, Satellos announced that the FDA awarded SAT-3153 with Orphan Drug Designation. As previously noted in this document, the Company has submitted an application for Orphan Drug Designation with SAT-3247.

(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. On August 2, 2023, Satellos announced that the FDA awarded SAT-3153 with Rare Pediatric Disease Designation**.** As previously noted in this document, the Company has submitted an application for Rare Pediatric Disease Designation with SAT-3247.

(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.

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 (such license, the "**UBC License Agreement**"), 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 (the "**CAT License**").

iCo sublicensed the commercial development rights to Bertilimumab for all disease indications outside of the ocular field to Immune Pharmaceuticals Ltd. through a product sublicense agreement dated December 7, 2010 (the "**Bertilimumab Sublicense**"). Subsequently Alexion Pharma International Operations Limited ("**Alexion**") obtained the rights and obligations to the Bertilimumab Sublicense. On October 7, 2022, Alexion notified the Company that it was terminating the Bertilimumab Sublicense as of November 7, 2022. The Company is exploring monetization options for this 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 with the consent of UBC.

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 thousand

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 thousand to Satellos to fund the UT SRA, and a further $42 thousand 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 amounts received by the Company are offset against amounts paid, netting to zero. There have been no payments of this type in Q2 2023 or in Q3 2023. Effective October 3, 2023, pursuant to the JDA, Satellos and the University of Toronto ("**UT**") entered into a second Sponsored Research and Collaboration Agreement to develop Amp B Tech's formulation technology for cannabidiol-based products (the "**UT SRA 2**"). During 2024, NW PharmaTech or NWMT (defined below) will pay $59 thousand to Satellos to fund the UT SRA, and the Company will pay the same amount to UT, as such these payments will offset, netting to zero.

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 million while Satellos received a put option to trigger a sale of Amp B to NWPT, also for US$3 million. NWMT has agreed to reimburse Satellos for all remaining amounts due to UT under the UT SRA 2, and Satellos has granted its rights under UT SRA and UT SRA 2 to NWMT.

The Company is no longer incurring development costs associated with the iCo Portfolio nor does it anticipate doing so in the future.

REVIEW OF FINANCIAL RESULTS

All tabular amounts below are presented in thousands of Canadian dollars, except for per share amounts.

The financial information reported herein was derived from the condensed consolidated interim financial statements and the audited annual consolidated financial statements. Satellos' functional and presentation currency is the Canadian dollar. Our financial results may be subject to fluctuations between the Canadian dollar and other international currencies, primarily the US dollar.

Selected Financial Information

	Year ended December 31, 2023	**Year ended December 31, 2022**
	$	$
R&D expenses	**8,817**	3,734
G&A expenses	**6,646**	4,694
Other (income) and expenses	**426**	2,889
Income tax expense	**-**	5
Net loss	**(15,889)**	(11,322)
Basic and diluted net loss per share	**(0.18)**	(0.32)
Total assets	**44,298**	6,199
Total liabilities	**3,624**	2,830

We have not earned revenue in any of the previous fiscal years, other than income from interest earned on our cash and cash equivalents.

For the year ended December 31, 2023, we reported a net loss of $16.0 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 increased R&D expenses related to increased headcount and research and development activities associated with SAT-3247 as well as increased G&A expenses due to increased personnel, recruitment, travel and professional fees.

Cash utilized in operating activities for the year ended December 31, 2023, was $14.5 million, compared to the year ended December 31, 2022, of $5.8 million. The increase in cash utilized in the current year period is primarily a result of the increased net loss.

Results of Operations

Research and development ("R&D") expenses:

Research and development expenses consist primarily of costs to develop our lead product candidate SAT-3247 as well as early-stage research, and include external research and development incurred under agreements with third parties such as agreements with research institutes, contract manufacturing organizations, external labs, and employee related expenses for personnel directly supporting research and development programs.

We expect our research and development expenses to continue to increase for the foreseeable future as we advance SAT-3247 into clinical development.

	Year ended December 31,2023	Year ended, December 31, 2022
	$	$
Salaries and management fees	**2,173**	760
Discovery expenses	**1,141**	2,604
Preclinical expenses	**3,444**	-
Chemistry, manufacturing and controls	**1,193**	-
Stock-based compensation	**866**	370
Total research and development expenses	**8,817**	3,734

Research and development expenses increased by approximately $5.1 million to $8.8 million for the year ended December 31, 2023, compared to $3.7 million for the year ended December 31, 2022. Changes to the components for expenses presented in the table above are primarily the result of the following:

- Salaries and management fees increased by approximately $1.4 million related to new hires to advance our research programs.
- Discovery expenditures decreased by approximately $1.5 million. The Company selected its lead candidate in 2023 and has advanced into the pre-clinical stage of development. Ongoing Discovery expenses reflect OHRI discovery and supporting work.
- Preclinical pre-IND-enabling expenses for the period were $3.4 million. Preclinical pre-IND-enabling studies began in Q1 2023 and so there were no relevant amounts incurred in the prior year.
- Chemistry, manufacturing and controls ("**CMC**") expenses were $1.2 million. CMC activities began in Q3 2023 and so there was no amount incurred in the comparable year.
- Stock-based compensation increased by approximately $496 thousand in the current year related to more grants in the current period associated with new hires and increased headcount.

General and administrative:

General and administrative ("**G&A**") expenses consist primarily of salaries and management fees for our board of directors; executive, business development, finance and support functions; professional fees for auditing, recruitment, legal services and investor relations; and other items such as insurance, travel and listing fees.

We expect our G&A expenses to increase for the foreseeable future as we incur additional expenses to support increased R&D activities and public company related costs.

	Year ended December 31, 2023	Year ended December 31, 2022
	$	$
Salaries and management fees	**2,318**	1,299
Professional fees	**2,438**	1,592
Other operating expenses	**580**	397
Stock-based compensation	**1,303**	1,069
Amortization of intangibles	**-**	333
Depreciation	**7**	4
Total general and administrative expenses	**6,646**	4,694

General and administrative expenses increased by approximately $2.0 million to $6.6 million for the year ended December 31, 2023, as compared to $4.7 million for the year ended December 31, 2022. Changes to the components for general and administrative expenses presented in the table above are primarily the result of the following:

- Salaries and management fees increased by approximately $1.0 million primarily related to increased headcount, salary adjustments and variable compensation in the year.
- Professional fees increased by approximately $850 thousand primarily related to higher legal fees, consultant fees and investor relations expenses.
- Other operating expenses increased by approximately $180 thousand mostly related to higher travel expenses.
- Stock-based compensation increased by approximately $234 thousand related to new grants issued in the current fiscal year offset by higher grant fair values in the prior periods.
- There was no amortization of intangibles in the current period as the asset has been identified as available for sale and therefor no longer amortized.

Other Income and expenses:

	Year ended December 31, 2023	**Year ended December 31, 2022**
	$	$
Finance income	**1,333**	63
Interest expense and loss on debt extinguishment	**(603)**	-
Gain on derivatives	**1**	3
Impairment of intangible asset	**-**	(2,885)
Foreign exchange gain (loss)	**(1,157)**	(70)
Total	**(426)**	(2,889)

Other income and expenses were a net expense of $426 thousand in the period ended December 31, 2023 and a net expense of $2.9 million in the comparative year. Changes to the components for other income and expenses presented in the table above are primarily the result of the following:

- Finance income increased in the current year by approximately $1.3 million related to interest earned on investments made following the May 2023 Financing.
- Interest expense and loss on debt extinguishment reported for the year ended December 31, 2023 relates to the March 2023 Debenture Offering, described further below under Financial Condition and repaid in the quarter ended September 30, 2023.
- In the year ended December 31, 2022, the Company recorded an impairment of its AmpB technology.
- The increase in the foreign exchange loss in the current period of approximately $1.2 million is the result of unrealized foreign exchange losses on US cash, cash equivalents and short-term investments.

Summary of Quarterly Results

The table below is derived from unaudited quarterly results and was prepared by management for the eight previous quarters to December 31, 2023.

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	$	$	$	$	$	$	$	$
R&D Expense	3,585	2,734	1,565	935	997	898	865	950
G&A Expense	2,663	1,754	1,497	732	1,271	941	1,342	1,157
Other (income) and expenses	286	(914)	1,053	-	2,810	60	26	10
Income tax	-	-	-	-	6	-	-	-
Net Loss	(6,534)	(3,574)	(4,115)	(1,667)	(5,078)	(1,899)	(2,233)	(2,117)
Loss per Share	(0.06)	(0.03)	(0.05)	(0.04)	(0.12)	(0.05)	(0.07)	(0.06)

The net loss for the periods Q1 2022 to Q3 2022 were reasonably consistent quarter to quarter. The net loss increased in Q4 2022 as a result of a $2.9 million impairment recorded in the period related to the Company's OralTrans™ technology held in its Amp B subsidiary. Following the Company's $55 million equity raise in May 2023, the Company increased R&D activities related to advancing its lead compound and increased general and administrative activities to support anticipated business growth and support its public company reporting obligations. Taken together, this resulted in higher net losses in these periods. Other income and expenses recorded in Q2, Q3 and Q4 2023 reflect mostly foreign exchange gains and losses on the Company's cash and cash equivalents held following the equity raise in May 2023 and interest income earned on investments.

Quarter ended December 31, 2023 compared to Quarter ended December 31, 2022

The net loss for the three-month period ended December 31, 2023, was approximately $6.5 million as compared with a net loss of $5.1 million for the three-month period ended December 31, 2022. The increase in the net loss reflects the increased R&D activities for our lead compound, SAT-3247 and supporting general and administrative activities.

Research and development expenses increased by approximately $2.6 million to $3.6 million for the three-month period ended December 31, 2023, as compared to $997 thousand for the three-month period ended December 31, 2022. The increase reflects more R&D activities in the current year period. During the quarter ended December 31, 2022, the Company was completing discovery studies on its drug candidates for Duchenne Muscular Dystrophy and following the May 2023 Financing, the Company accelerated its drug development efforts. During the quarter ended December 31, 2023, the Company's research activities were focused mostly on manufacturing activities and preclinical studies and preparing for clinical studies. Additional personnel were hired to support these activities.

General and administrative expenses increased by approximately $1.4 million to $2.7 million for the three-month period ended December 31, 2023, as compared with approximately $1.3 million for the three-month period ended December 31, 2023. This increase reflects mostly additional personnel, consultants and professional fees to support the increased R&D activities, and higher public company reporting costs.

Other expenses decreased by approximately $2.5 million to $286 thousand for the three-month period ended December 31, 2023, as compared with approximately $2.8 million for the three-month period ended December 31, 2022. This decrease relates mostly to an impairment loss of approximately $2.9 million

recorded in the prior year period, offset by interest income and foreign exchange losses in the current year period.

FINANCIAL CONDITION

Liquidity and Capital Resources

Since inception, the Company has devoted its resources to funding R&D programs, including securing intellectual property rights and licenses, conducting discovery research, manufacturing drug supplies, initiating preclinical studies, and providing administrative support to R&D activities, which has resulted in an accumulated deficit of $48 million as of December 31, 2023. With current revenues only consisting of interest earned on excess cash and cash equivalents, losses are expected to continue while the Company's R&D programs are advanced. We currently do not earn any revenues from our product candidates and are therefore considered to be in the development stage. As required, the Company will continue to finance its operations through the sale of equity or pursue non-dilutive funding sources available to the Company in the future. The continuation of our research and development activities for our muscle regeneration platform is dependent upon our ability to successfully finance and complete our research and development programs through a combination of equity financing and revenues from strategic partners. We have no current sources of revenues from strategic partners. Management has forecasted that the Company's current level of cash will be sufficient to execute its current planned expenditures for more than the next 12 months without further financing. The Company's cash is expected to fund operations through Q4 2025.

Cash Management

Net Working Capital was $36.7 million as of December 31, 2023, compared to a net working capital deficit of $597 thousand as of December 31, 2022. The improvement is due to cash inflows from the May 2023 Equity Offering.

At December 31, 2023, the Company had cash and cash equivalents and short-term investments of $39.6 million, compared $1.9 million at December 31, 2022. The Company invests cash in excess of operational requirements in highly rated and liquid investments.

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

Satellos uses cash flow forecasts to estimate cash requirements for the ensuing twelve-month period and beyond. Based on these requirements, Satellos plans to raise capital as required to provide the necessary financial resources for operations. The timing of financings will depend on market conditions and Satellos' cash requirements. Satellos' cash flow forecasts are continually updated to reflect actual cash inflows and outflows to monitor the requirements and timing for additional financial resources. Given the volatility of the Canadian and US dollar exchange rate, the Company estimates its US dollar expenses for the year and sets appropriate levels of US dollar cash and cash equivalent balances. By holding US dollars, Satellos remains subject to currency fluctuations which affect its loss and comprehensive loss during any given year.

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

Debenture Offering in March 2023

On March 24, 2023, the Company completed a non-brokered private placement offering of 2,385 10% unsecured non-convertible debenture units (the "**Debenture Units**") and raised gross proceeds of $2,385,000 (the "**Debenture Offering**"). Each Debenture Unit was comprised of: (i) $1,000 principal amount of unsecured non-convertible debentures of the Company (the "**Debentures**"); and (ii) for no additional consideration, such number of common shares in the capital of the Company (each whole common share, a "**Bonus Share**", and collectively, the "**Bonus Shares**") as is equal to $100 divided by $0.355, being the closing market price of the common shares of the Company on the TSX Venture Exchange on March 15, 2023, rounded to the nearest whole share. The Debentures would mature on September 24, 2024 (the "**Maturity Date**") and bear interest on the principal amount at a rate of 10% per annum payable quarterly in arrears in cash. Accordingly, 671,825 Bonus Shares were issued in connection with the Debenture Units at a value of $0.355, resulting in an increase in capital stock of $238 thousand, offset by share issuance costs of $12 thousand. In addition, the Company incurred expenses in the amount of $141 thousand, related to the Debenture Offering of which $128 thousand was allocated to debt issuance cost and $13 thousand to share issuance cost. Net proceeds of the Debenture Offering were $2.2 million and the effective annual interest rate on the principal of the Debentures was 21.6%.

The Company had the option to redeem the Debentures prior to maturity in part or in full subject to an early repayment premium. The repayment premium was calculated as follows: (i) 6% of the principal amount of the Debentures being redeemed if the redemption occurs prior to six months from the date of issuance; (ii) 5% of the principal amount of the Debentures being redeemed if the redemption occurs between the six and twelve month period following the debt issuance; or (iii) 4% of the principal amount of the being redeemed if the redemption occurs after the first anniversary of the debt issuance but prior to the Maturity Date.

Effective August 14, 2023, the Company redeemed all the outstanding Debentures and paid a 6% early repayment premium of $143 thousand.

The following table presents the amounts recorded related to the Debenture offering and its repayment during the year ended December 31, 2023.

	$ (thousands)
Proceeds from issuance of Debenture Units on March 24, 2023	2,385
Discount due to Bonus Shares	(238)
Debt issue costs	(128)
Interest expense, from March 24, 2023 to August 14, 2024	177
Loss on debt extinguishment	426
Repayment of interest and Principal	(2,622)
Debentures balance December 31, 2023	**-**

Equity Offering September 2022

On September 13, 2022, the Company completed a public offering (the "**Unit Offering**") of 8,750,000 units ("**Units**") of the Company at a price of $0.40 per Unit for gross proceeds of $3.5 million. Each Unit consisted of one Common Share of the Company and one-half of one Common Share purchase warrant of the Company (each whole Common Share purchase warrant, a "**Warrant**"), with each Warrant being exercisable for one Common Share, for a total of 4,375,000 Warrants at an exercise price of $0.60 until expiry on September 13, 2025. The Warrants were valued at $779 thousand.

The costs associated with the Unit Offering were $843 thousand, including cash costs for commissions to the agents of approximately $245 thousand, professional fees and regulatory costs of $496 thousand and 612,500 compensation warrants to the agents valued at $103 thousand. Each such compensation warrant is exercisable for one Common Share at an exercise price of $0.40 until expiry on September 13, 2024.

Equity Offering May 2023

On May 17, 2023, the Company completed a public offering (the "**Equity Offering**"), issuing 70,297,220 Common Shares at $0.50 per Common Share and 39,702,780 pre-funded common share purchase warrants ("**Pre-Funded Warrants**") with no expiry date for $0.49999 per Pre-Funded Warrant for gross proceeds of $55 million. Each Pre-Funded Warrant is exercisable for one Common Share at an exercise price of $0.00001 per share.

The costs associated with the Equity Offering were $5.8 million including cash costs for commissions to the agents of approximately $3.7 million, professional fees and regulatory costs of $510 thousand and 7,383,919 compensation warrants to the agents valued at $1.6 million. Each such compensation warrant is exercisable into one Common Share at an exercise price of $0.50 until expiry on May 17, 2025.

The fair value of the broker warrants was a non-cash cost charged to Common Share issuance costs and Pre-Funded Warrant costs proportionately to the number of each security issued.

Bloom Burton Securities Inc., ("**BBSI**"), an entity jointly controlled by a director of Satellos, acted as exclusive agent and book running manager for both the Unit Offering and the Equity Offering. See **Transactions with Related Parties** disclosures below.

Use of Proceeds

September 2022 Financing

The following table provides an update on the anticipated use of proceeds raised as part of the 2022 Offering, along with amounts actually expended. As of December 31, 2023, the following expenditures had been incurred:

Item	Amount to Spend	Spent to Date	Adjustments	Remaining to Spend
	$ (thousands)	$ (thousands)	$ (thousands)	$ (thousands)
Nominating a DC	923	1,487	564	—
Preclinical development	540	728	188	—
Initiation of pre-IND activities	524	136	(388)	—
General and administrative	491	232	(259)	—
	2,478	**2,583**	**(105)**	**—**

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. The Company estimates that as of the end of March 2023, it had spent the proceeds of the 2022 Prospectus offering in full.

May 2023 Financing

The following table provides an update on the milestones for the Duchene program (as previously disclosed in the Company's management's discussion and analysis for the period ending September 30, 2023 (the "**Q3 2023 MD&A**")) and the anticipated use of proceeds raised as part of the May 2023 Equity Offering (as previously proposed in the final prospectus dated May 9, 2023 relating to the May 2023 Equity Offering (the "**May 2023 Prospectus**")), along with the amounts actually expended.

The Company changed its lead candidate from SAT-3153 to SAT-3247 following preclinical studies that demonstrated SAT-3247 had similar capacity to affect stem cell polarity, enhance muscle regeneration, and improve muscle force in the mdx mouse model of Duchenne but also exhibited improved oral bioavailability, target specificity, and tissue distribution, when compared directly to SAT-3153. SAT-3153 will serve as a back-up candidate to SAT-3247. The Company does not expect that this change in lead candidate will materially affect its timelines to completion of manufacturing activities and follow on studies. Future discussions for use of proceeds will be based on SAT-3247 as lead candidate.

Development Milestone	**Estimated Completion** (as previously disclosed in the May 2023 Prospectus)	**12/31/2023 Status**	**Amount to Spend** (as proposed in the May 2023 Prospectus) (thousands)	**Costs incurred to date** (thousands)	**Estimated Remaining Costs** (thousands)
Complete CMC Activities and GMP Manufacturing of DC	September 2024	This work was initiated during Q3 2023 and is ongoing with expected completion in 1H 2024 which is **ON TRACK**. Satellos is conducting the body of prescribed studies to support the use of SAT-3247 in a Phase 1 clinical trial/s which will be included in the CMC section of the IND/CTA applications to be submitted to the FDA and Health Canada. This work is expected to be complete in 1H 2024. Good Manufacturing Practice (GMP) methods and protocol development work was completed in Q4 2023. GMP manufacturing of the quantities of SAT-3247 drug substance to be used in Phase I clinical trials is underway and is expected to be complete in 1H 2024.	$3,000	$1,397	$1,603
Complete prescribed IND enabling studies and Preparation of IND/CTA Submissions ("Pre-clinical Package") and Conduct of	September 2024 (Pre-clinical Package) and September 2025 (Pre-clinical R&D with DC)	The work on the Pre-clinical Package is ongoing and is expected to be substantially complete in 1H 2024. **ON TRACK** Following completion of non-GLP dose ranging and related studies during 2023, the Company has initiated the requisite GLP in vitro and in vivo safety and toxicology studies to support clinical trial	$10,500 (originally in two categories of $6,500 and $4,000; due to overlap of	$2,988	$7,512

Pre-clinical R&D with DC		development and be included in the IND/CTA applications. This body of work is underway and expected to be completed in the first half of 2024. The Company's ongoing R&D program with SAT-3247 is focused on supporting the preclinical development plan, identifying potential new disease indications, continuing to generate new IP, and developing appropriate biomarkers or other tools to be used in clinical development studies. Once the CMC activities for the Phase 1 studies have been completed and the preclinical and toxicology studies are completed, the Company will begin conducting studies to establish oral dosing parameters for SAT-3247, guide clinical development, profile the effects of SAT-3247 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). This second part of the program is expected to be complete on or before September 2025. **ON TRACK**	objectives the costs have been combined)		
Identification of a Back-up Lead compound and further Discovery research on new drug targets/indications	Identification of lead September 2024. Further Discovery Work ongoing as of Sept 2025.	Identification of back-up lead was complete in November 2023 with the identification of SAT-3247 as lead candidate. **COMPLETED**. Further discovery work is ongoing and is expected to be completed by September 2025. **ON TRACK** The Company's discovery research led to the work that resulted in SAT-3247 being selected as the lead candidate for our Duchenne disease program (and therefore, SAT-3153 becoming the back-up DC). This work was completed on the expected timelines; for fiscal years 2024 and 2025, the focus of discovery research and early preclinical development will shift to an emphasis on new drug targets and disease indications**.**	$2,500	$740	$1,760
Submit IND and CTA	September 2024	Planning for a pre-IND meeting with the FDA is underway, development of regulatory submissions to support approval to commence clinical trials in healthy human volunteers has been initiated. It is currently expected that Satellos will submit an IND or equivalent regulatory dossier to initiate a	$500*	$0	$500

		Phase1a Safety and PK clinical trial in healthy human volunteers in mid-2024. **ON TRACK.**			
Phase 1 Clinical Studies	September 2025	The Company expects to initiate enrollment in a Phase 1 safety study comprised of SAD and MAD stages in healthy volunteers before the end of Q3/2024 with enrollment to be substantially complete by end of 2024**. ON TRACK** The Company expects that a Phase 1b dose finding patient study in Duchenne patients will begin in 2025 the particulars will be determined based on results of the Phase 1 SAD/MAD safety study however it is currently anticipated that the study would be substantially complete by September 2025. **ON TRACK**	$16,000*	$541	$15,459
General and administrative			$17,050	$3,742	$13,578
Total			**$49,550**	**$9,138**	**$40,412**

* These three amounts total $16.5 million consistent with disclosure in the Use of Proceeds section of the Company's May 2023 Prospectus, for Phase 1 Clinical Studies. The Use of Proceeds included a Phase 1 safety and PK study in healthy volunteers as well as a Phase 1b safety, PK and dose-finding study in Duchenne Patients. The costs disclosed are estimates that are subject to the outcome of dialog with regulators such as the FDA and HC and the Phase 1b/2a trial expected costs are subject to the results of the Phase 1a study. All such costs are estimates that are subject to change.

As set out in the above table, there are currently no material variances as to the expected timing for completion of the milestones set forth the in the Q3 2023 MD&A and the May 2023 Prospectus or as to the expected use of the proceeds the Company received in the May 2023 Equity Offering.

These estimated timelines and costs set out in the table above (and the notes thereto), reflect management's best estimates and assume successful completion of manufacturing activities, preclinical and toxicology studies showing safety and efficacy, regulatory approvals, and timely recruitment of patients once clinical trials may begin.

License Agreements

Ottawa Hospital Research Institute

Effective May 1, 2018, Pre-Arrangement Satellos and OHRI entered into the OHRI License Agreement whereby OHRI granted Pre-Arrangement Satellos an exclusive, world-wide, sublicensable, royalty bearing right and license to a body of technology and patents comprised of five patent families to develop, make, have made, import, use, offer for sale, sell and have sold or otherwise commercialize licensed products. At the same time the parties entered into a sponsored research agreement, during the term of which OHRI has agreed to carry out specific research and development activities according to a prescribed statement of work, as may be amended from time to time, under the direction of the Company's co-founder, Dr. Michael A. Rudnicki (the "**OHRI SRA**"). Under the OHRI SRA, Dr. Rudnicki leads a dedicated R&D team who

are engaged solely to execute the agreed R&D program of Satellos, under his direction and as defined in the statement of work.

University of British Columbia

On July 27, 2007, iCo entered into an option agreement with UBC which granted an option to negotiate a license for the exclusive rights to the Oral Amp B Delivery System to be used for potential systemic fungal infections. iCo exercised the option on February 26, 2008 and on May 6, 2008 signed the UBC License Agreement. In consideration for the UBC License Agreement, iCo paid UBC an initial license fee of $20,000 and is required to pay annual fees to UBC for maintaining the license until such time as an NDA for the Oral Amp B Delivery System is approved by the FDA or other regulatory body. The Company is required to make additional contingent payments of up to $1.85 million in aggregate upon the achievement of certain development and commercialization milestones and is also required to pay royalties contingent on future revenues.

Long-Term Obligations and Other Contractual Commitments

The Company enters into contracts in the normal course of business, including for research and development activities. As at December 31, 2023, in addition to amounts that have been recognized in accounts payable and accrued liabilities, the Company has commitments for research and development activities in the amount of approximately $5.1 million, of which all are due within a 12 month period, for the following activities:

- The Company has entered into agreements with three suppliers of biotechnology services under which the suppliers will provide specialized services including tests, assays, manufacturing of drug substance and manufacturing of drug product.
- Under the current amendment of the OHRI SRA (defined below), effective September 01, 2023, the Company is providing funding of approximately $939 thousand annually. The contract is cancellable upon 60 days notice.

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

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

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

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

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

- $300 thousand - each time a Licensed Product first enters Phase III human clinical trials in the US or equivalent in any other industrialized country (maximum one payment per new drug candidate); and
- $1 million - each time a Licensed Product is the subject of a regulatory approval in the US (such as NDA and BLA) or equivalent in any other industrialized country (maximum one payment per new drug candidate).

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

The Company is required to pay annual fees to UBC under the UBC License Agreement for maintaining the license until such time as a NDA for the Oral Amp B Delivery System is approved by the FDA or other regulatory body, or the license expires or is terminated. The Company may be required to make milestone, royalty, and other payments. These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. The Company has not accrued for these payments as at December 31, 2023 due to the uncertainty over whether these milestones will be achieved. The Company is required to make additional contingent payments of up to $1.9 million in aggregate contingent upon the achievement of certain development and commercialization milestones and is also required to pay royalties on future revenues.

TRANSACTIONS WITH RELATED PARTIES

The following related parties have engaged in transactions with the Company during the year ended December 31, 2023 and December 31, 2022. All related party transactions have been recorded at the amount of consideration established and agreed upon by the related parties in the normal course of business.

(1) BBSI - an entity that is jointly controlled by Brian Bloom, a director of the Company.

BBSI acted as lead agent for two equity offerings (September 2022 and May 2023 equity offerings described above). Related to the Unit Offering of September 13, 2022, the Company issued 208,688 compensation warrants, paid approximately $63 thousand in commissions and reimbursed BBSI for $101 thousand in legal and related fees. Related to the Equity Offering on May 17, 2023. The Company issued 6,560,474 compensation warrants, paid approximately $3.3 million in commissions and reimbursed BBSI for $176 thousand in legal and related fees related to the prospectus agreement.

The Company engaged BBSI in a consulting agreement in November of 2022. The Company recorded $40 thousand in expenses during the three months period ended December 31, 2022, and a further $60 thousand in the three-month period ended March 31, 2023 for work completed under this agreement. This agreement is completed and there are no amounts owing to BBSI as of December 31, 2023.

(2) William Jarosz

Mr. Jarosz, previously the Chief Executive Officer of iCo Therapeutics Inc. (“iCo”), the entity Satellos acquired as part of a reverse takeover transaction on August 13, 2021, and now a Director of the Company, had provided consulting services to iCo that were unpaid as of the date of the reverse takeover and this liability was assumed by Satellos. Following the reverse takeover, Mr. Jarosz provided consulting services to Satellos. On September 13, 2022, Mr. Jarosz participated in the Unit Offering and purchased 325,000 Units in exchange for a reduction

in amounts owing to him of US$99 thousand (C$130 thousand). The following table presents the related party transactions between Mr. Jarosz and the Company:

	$
Liability assumed by Company from iCo upon closing of reverse take-over, August 13, 2021	US$289
Director and consulting services, August 21,2021 to December 31, 2023	US$344
Less, partial settlement of liability with purchase of Units, September 13, 2022 financing	US$(99)
Amount owing as at December 31, 2023	US$534
Amount owing as at December 31, 2023	**C$706**

(3) Debenture Offering

Certain directors participated in the Debenture Offering described in Note 7 of the Financial Statements. A total of 450 of the 2,385 units were purchased by directors of the Company.

(4) Equity Offering

Frank Gleeson, CEO of the Company, William Jarosz, a director of the Company, William McVicar, a director of the Company, J. Robert Hall, an officer of the Company, and Bloom Burton & Co. Inc., a related party of the Company and an affiliate of BBSI, purchased an aggregate of 3,323,070 Common Shares under the Equity Offering or 3.0% of the securities issued under the Equity Offering. Subscriptions for Common Shares by such insiders are related party transactions within the meaning of applicable Canadian securities laws.

(5) Key management personnel

Key management personnel consists of the Company's Chief Executive Officer, Chief Scientific Officer, former Chief Medical Officer, Chief Technology Officer, Chief Financial Officer and the Directors of the Corporation. The remuneration of key management personnel is as follows:

	Year ended December 31, 2023	**Year ended December 31, 2022**
	$	**$**
Salaries and management fees	**2,554**	1,073
Stock-based compensation	**1,725**	1,010
Total compensation for key management personnel	**4,279**	2,083

Amounts owing to related parties and included in accounts payable and accrued liabilities:

	December 31, 2023	**December 31, 2022**
	$	$
Due to BBSI	**-**	40
Due to directors and officers	**712**	553
Total due to related parties	**712**	593

All amounts due to related parties are non-interest bearing and have no specified terms of repayment. The amounts in the above table include the $706 thousand owing to Mr. Jarosz and $6 thousand owed to one director for fees accrued prior to the end of the fiscal quarter.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Satellos is exposed to various risks through its financial instruments as at December 31, 2023. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk arises from cash and cash equivalents held at banks and financial institutions, as well as outstanding receivables. In the year ending December 31, 2023 the Company invested its excess cash in interest-bearing operating accounts held at a Schedule 1 Canadian bank. The Company limits its exposure to credit risk, with respect to cash and cash equivalents, by placing them with high quality credit financial institutions. The Company's cash equivalents consist primarily of operating funds, deposit investments and guaranteed investment certificates with commercial banks.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash flow requirements associated with financial instruments. The Company continues to manage its liquidity risk by monitoring its cash flows and investments regularly, comparing actual results with budgets and future cash requirements. The following are the carrying values and contractual maturities of financial liabilities at December 31, 2023:

	December 31, 2023	**Term to Maturity**
Accounts payable and accrued liabilities	$ 3,624	Less than one year

Foreign Currency Risk

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

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for research and development incurred in US dollars. The Company manages foreign exchange risk by maintaining US dollars in cash on hand to fund its short-term foreign currency expenditures,

Balances in foreign currencies at December 31, 2023 and December 31, 2022 were as follows:

	December 31, 2023 (US$)	December 31, 2022 (US$)
Cash and cash equivalents	16,522	393
Short-term investments	13,246	-
Deposits	-	6
Accounts payable and accrued liabilities	(1,071)	(1,057)
Net monetary assets (liabilities)	28,697	(658)

Based on the US$ balance sheet exposure at December 31, 2023, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 10%, relative to the rate at December 31, 2023, the net monetary liabilities would be approximately $3.8 million greater. If the Canadian dollar were to strengthen against the US dollar by 10%, relative to the rate at December 31, 2023, the net monetary liabilities would be approximately $3.5 million less.

Fair Value

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

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

At December 31, 2023, the Company's financial instruments included cash and cash equivalents, accounts receivable, the Put Option, the Call Option, the Debentures and accounts payable and accrued liabilities.

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

There were no transfers of assets or liabilities between levels during the year ended December 31, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reported amounts and note disclosures reflect management’s best estimate of the most probable set of economic conditions and planned course of actions. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying our accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2023.

Refer to the audited consolidated financial statements for the year ended December 31, 2023 for discussions on our accounting policies and estimates that are most important in assessing, understanding and evaluating our consolidated financial statements. Changes in these estimates and assumptions could have a significant impact on our consolidated financial statements.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

There have been no changes in our ICFR that occurred during the period beginning October 1, 2023 and December 31, 2023 that have materially affected, or are reasonably likely to materially affect our ICFR.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following issued and outstanding securities:

Security	Number
Common shares	112,791,658
Prefunded Warrants	39,702,780
Warrants	12,346,419
Stock options	14,404,763

For a detailed summary of the outstanding securities convertible into, exercisable or exchangeable for voting or equity securities of Satellos as at December 31, 2023, refer to notes 7,8 and 9 of the Annual Audited Financial Statements of the Company for the year ended December 31, 2023.

RISKS AND UNCERTAINTIES

We are a development stage biopharmaceutical company that operates in an industry that is dependent on a number of factors that include the capacity to raise additional capital on reasonable terms, obtain positive results of clinical trials, obtain positive results of clinical trials without serious adverse or inappropriate side effects, and obtain market acceptance of its product. An investment in our common shares is subject to a number of risks and uncertainties. An investor should carefully consider the risks described in our AIF, as well as our other public filings with the securities regulators before investing in our common shares. If any of such described risks occur, or if others occur, our business, operating results and financial condition could be seriously harmed, and investors may lose a significant proportion of their investment. There are important risks which management believes could impact our business. For information on risks and uncertainties, please refer to the "Risk Factors" section of our most recent AIF filed on SEDAR+ at www.sedarplus.ca.

ADDITIONAL INFORMATION

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