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Satellos Bioscience Inc.

(OTCQB: MSCLF)

MSCLF: Preclinical Proof-of-Concept Data for SAT-3153 Presented at MDA Conference…

Based on our probability adjusted DCF model that takes into account potential future revenues in DMD, MSCLF is valued at $0.70/share. This model is highly dependent upon continued success of the development candidates and will be adjusted accordingly based on future clinical results.

Current Price (04/04/23)	$0.44
Valuation	**$0.70**

OUTLOOK

On March 19, 2023, Satellos Biosciences Inc. (MSCLF) announced that the company would be presenting preclinical proof-of-concept data for its lead drug candidate SAT-3153 at the Muscular Dystrophy Association (MDA) Clinical and Scientific Conference. The preclinical data thus far shows that SAT-3153 induces a significant effect on muscle stem cell polarity through new progenitor muscle cell formation after one week, leads to an increase in muscle force after two weeks, and the drug has no binding to the hERG channel (to rule out potential cardiac toxicity), a plasma protein binding level of <90% (indicating significant levels of free drug), and is orally bioavailable. Satellos is currently pursuing pre-IND development activities for a potential IND filing in the first quarter of 2024.

SUMMARY DATA

52-Week High	**$1.00**
52-Week Low	**$0.03**
One-Year Return (%)	**-30.68**
Beta	**2.09**
Average Daily Volume (sh)	**1,908**
Shares Outstanding (mil)	**42**
Market Capitalization ($mil)	**$18**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**38**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**-3.4**
P/E using 2023 Estimate	**-3.4**

Risk Level	**High**
Type of Stock	**Small-Blend**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2023	0.0 E	0.0 E	0.0 E	0.0 E	0.0 E
2024					0.0 E
2025					0.0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-$0.05 A	-$0.05 A	-$0.04 A	-$0.09 A	-$0.24 A
2023	-$0.04 E	-$0.03 E	-$0.03 E	-$0.03 E	-$0.13 E
2024					-$0.12 E
2025					-$0.11 E

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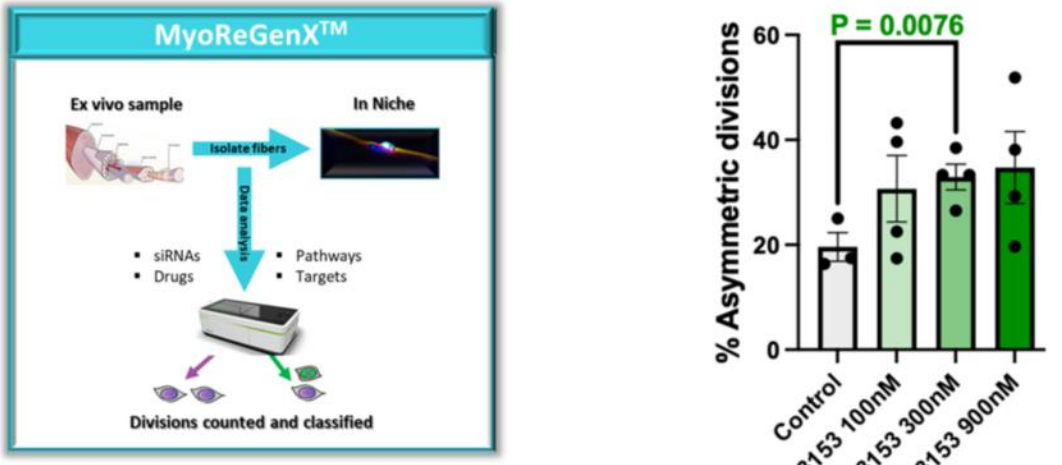
WHAT'S NEW

Business Update

Preclinical Data for SAT-3153 Presented at MDA Conference

On March 19, 2023, Satellos Bioscience Inc. (MSCLF) announced the presentation of preclinical proof-of-concept data for its lead development compound, SAT-3153, at the Muscular Dystrophy Association Clinical and Scientific Conference. The company had previously announced the designation of SAT-3153 as its lead development candidate. SAT-3153 is a protein kinase inhibitor that targets a particular protein in the Notch signaling pathway (codenamed "K9"). Following results obtained through genetic ablation of K9, Satellos hypothesized that targeting K9 could modulate asymmetric muscle stem cell division. Since K9 is already the target of other pharmaceutical interventions in a different disease setting, Satellos was able to synthesize existing K9 inhibitors to test the hypothesis. These studies showed that inhibiting K9 resulted in modulation of muscle stem cell division, enhanced muscle regeneration, and increased muscle mass/function.

A copy of the company's presentation at MDA 2023 can be found here. The following graph shows that SAT-3153 restores muscle stem cell polarity and asymmetric divisions in a cell-based assay. The figure on the left describes the company's MyoReGenX™ system, in which muscle fibers are cultured and treated with investigational compounds to determine their effect on cell division. The graph on the right shows a dose-dependent increase in the percentage of asymmetric cell divisions with increasing concentrations of SAT-3153.



Source: Satellos Bioscience Inc.

SAT-3153 is also able to restore asymmetric division *in vivo*. The following figure shows an experiment in Mdx mice, which are used as a model for studying Duchenne muscular dystrophy (DMD). Mice were administered SAT-3153 on Day 0 and 3 following an injection to induce cardiac cell injury and cellular analysis was performed on Day 10. The figure on the right shows that SAT-3153 does not change the number of stem cells, however it does significantly increase the number of progenitor cells.

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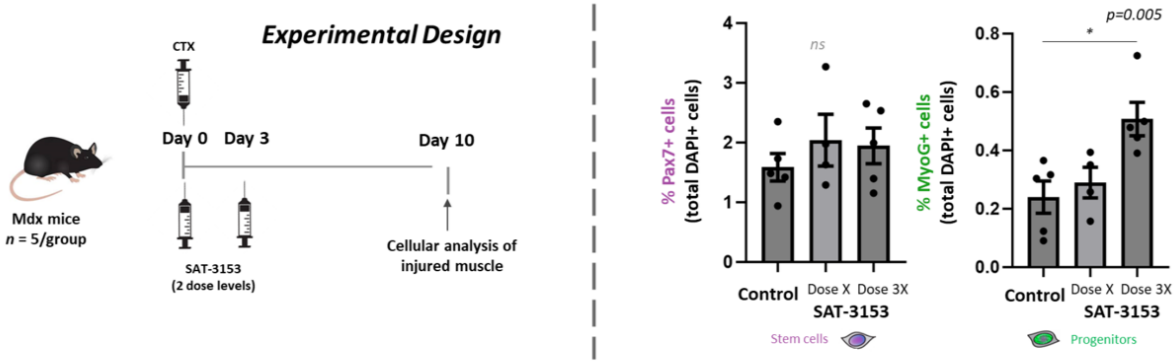
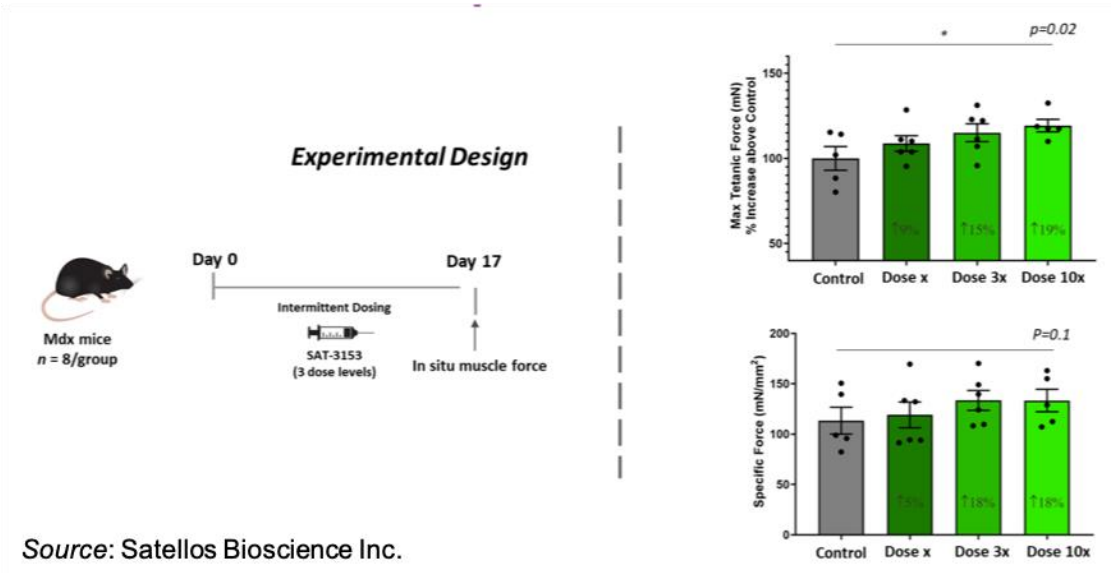


Source: Satellos Bioscience Inc.

Lastly, the increase in progenitor cells is accompanied by an increase in muscle force. SAT-3153 was given at various doses on different dosing schedules and the maximum muscle force was then measured. The results show that SAT-3153 increased specific muscle force in a dose dependent manner, indicating that the muscle being regenerated is functional.



Source: Satellos Bioscience Inc.

These results are very encouraging and suggest that SAT-3153 is able to recapitulate the results seen upon genetic ablation of K9 and that the drug is having a positive effect on muscle stem division. We look forward to additional updates from the company as it works toward an IND filing in the first quarter of 2024.

Financial Update

On March 29, 2023, Satellos announced the closing of its previously announced non-brokered private placement offering of 10% unsecured non-convertible debenture units for gross proceeds of CAD$2.385 million. A total of 2,385 units were issued in the offering, with each unit comprised of: 1) CAD$1,000 principal amount of unsecured non-convertible debentures of the company, and 2) common shares in the company (“bonus shares”) equal to CAD$100 divided by CAD$0.355 (closing market price of the common shares on the TSX Venture Exchange on March 15, 2023. An aggregate of 671,825 bonus shares were issued in connection with the offering.

On March 30, 2023, Satellos announced financial results for fiscal year 2022. Net loss for fiscal year 2022 was CAD$11.3 million, or CAD$0.32 per share, compared to a net loss of CAD$15.5 million, or CAD$0.64 per share, for fiscal year 2021. The decrease in net loss was primarily a result of the company

closing the iCo reverse merger agreement and recognizing the related listing expense of CAD$9.8 million during the 2021 fiscal year. R&D expenses net of refundable tax credits were CAD$2.6 million in 2022 compared to CAD$2.0 million in 2021. The increase was primarily attributable to increased R&D contractor spending along with the company no longer being eligible for refundable R&D tax credits following the close of the iCo reverse merger.

Satellos had approximately CAD$1.9 million in cash and cash equivalents as of December 31, 2022. Following the private placement and a full quarter of operational burn we estimate the company currently has just approximately CAD$2.0 million. As of December 31, 2022, Satellos had approximately 41.8 million shares and following the private placement we estimate the company currently has approximately 42.5 million shares and, when factoring in stock options and warrants, a fully diluted share count of approximately 51.7 million.

Conclusion

We're excited by the early preclinical data that Satellos has generated for SAT-3153 and we look forward to additional updates throughout this year. The company is planning to initiate pre-IND studies in the second half of the year so that an IND can be filed in the first quarter of 2024 and a first-in-human Phase 1 study can be initiated later in 2024. We view the recent financing as a likely bridge to a larger financing later this year. It has not affected our valuation has we have already factored in the need for the company to raise additional capital this year. Our valuation remains at $0.70 per share.

PROJECTED FINANCIALS

Satellos Biosciences Inc. (in $USD)	2022 A	Q1 E	Q2 E	Q3 E	Q4 E	2023 E	2024 E	2025 E
DMD Program	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Additional Indication	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Revenues	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
CoGS	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
R&D	$1.9	$0.5	$0.5	$0.5	$0.5	$2.1	$2.2	$2.4
SG&A	$3.0	$0.7	$0.8	$0.8	$0.9	$3.2	$3.3	$3.5
Stock-based compensation	$1.1	$0.3	$0.3	$0.3	$0.4	$1.3	$1.3	$1.4
Depreciation and Amortization	$0.2	$0.1	$0.1	$0.1	$0.1	$0.3	$0.3	$0.3
Other expenses	$0.1	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1
Operating Income	($6.3)	($1.7)	($1.7)	($1.7)	($1.9)	($7.0)	($7.3)	($7.7)
Operating Margin	-	-	-	-	-	-	-	-
Interest & Other Income	$2.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1
Pre-Tax Income	($8.4)	($1.7)	($1.7)	($1.7)	($1.9)	($7.0)	($7.2)	($7.6)
Taxes & Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($8.4)	($1.7)	($1.7)	($1.7)	($1.9)	($7.0)	($7.2)	($7.6)
Reported EPS	**($0.23)**	**($0.04)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.13)**	**($0.12)**	**($0.11)**
Weighted Shares Outstanding	35.7	42.0	57.0	57.0	57.0	53.3	58.0	70.0

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

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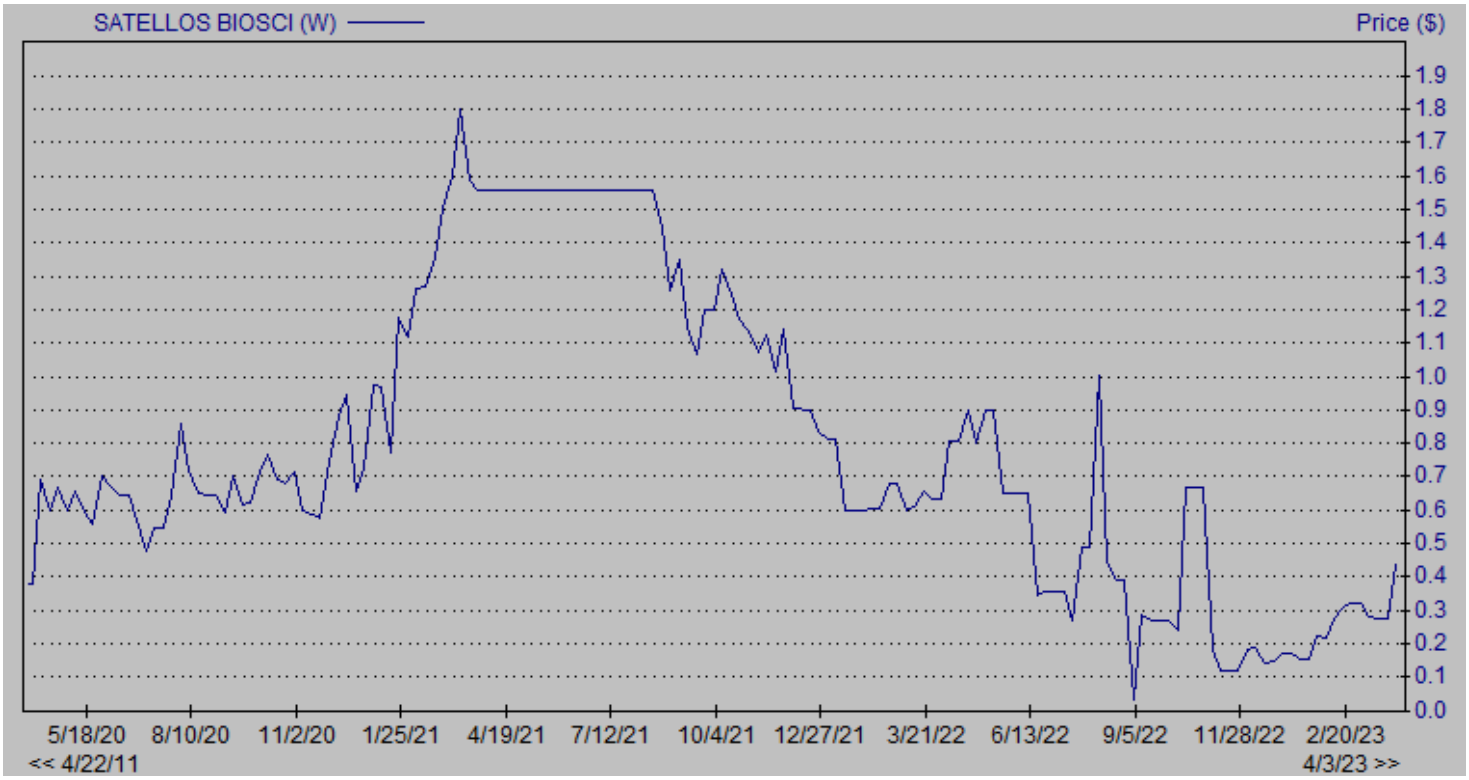
HISTORICAL STOCK PRICE



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