

Envizion Medical Ltd.

Simple Agreement for Future Equity and Warrants Valuation

June 2024

June 27, 2024

To

Envizion Medical Ltd.

Re: **Simple Agreement for Future Equity and Warrants Valuation**

Background

We were requested by Envizion Medical Ltd. (hereinafter, “**Envizion**” or “**Company**”) to assess the fair value of the Simple Agreement for Future Equity and Warrants A' and B' (hereinafter, “**Warrants**”), as of December 31, 2023 (hereinafter: “**Date of Valuation**”).

Purpose of the Contract

The purpose of the agreement between Envizion and Laor - Consulting and Investments Ltd. (hereinafter, “**Laor**”) is to appraise the fair value of the SAFE and the Warrants under the requirements of International Financial Reporting Standards (hereinafter: “**IFRS**”), subject to the reservations mentioned above and below, and exclusively for this purpose.

Except for the Company and of the auditors for the purpose of their audit, no third party may make any use of it or rely on it for any purpose without prior written permission from us.

For our work, we used Envizion's financial and operational information, internal administrative reports, and additional information received from Envizion's management, provided at its best knowledge and experience. Additionally, we used public information published by others.

We used sources of information that seem reliable, whole, precise, and updated to us, however, we did not carry out any auditing procedures, as defined in law and rulings, nor did we make an independent check or examination of the information we received and we do not have any opinion of the appropriateness of the data used in our work.

Sources of information

In carrying out the work we relied on the following information, among other things:

- ▶ Simple Agreements for Future Equity, (January-Mach 2023).
- ▶ Shares Purchase Warrant Agreement;
- ▶ Conversations with the Company's CFO; and
- ▶ Other publicly available information.

Procedures we carried out

We carried out, inter alia, the following procedures:

- ▶ Conversations with the CFO regarding the data and information submitted to us; and
- ▶ Valuation of the SAFE and the Warrants as of the Date of Valuation.

Please note individual calculations that were used in the work process are not presented in the paper, since calculations were made on an electronic spreadsheet, a difference due to rounding up numbers may have occurred. We hereby declare we have no personal interest in Envizion' shares, shareholders or any related parties, as specified by law or ruling, and we have no dependency or affiliation to them or parties related to them as specified in the Companies Law.

Payment for our services had no influence whatsoever on our examination results.

We are aware that our findings will be used by Envizion' management for the financial reporting by the accounting principles accepted in Israel/Europe. We agree this opinion be included and/or mentioned within Envizion' financial statements, if so required.

Our professional opinion is as follows:

Sincerely



אל לור
ייעוץ והשקעות בע"מ
ח.מ. 514350875

Laor Consulting and Investments Ltd

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Chapter 1

Company Profile

Company Profile

The company was founded by Doron Robert Besser and Shay Adir Tsuker on October 1, 2017 and is headquartered in Tel Aviv, Israel. The company's shares are traded in Tel Aviv.

ENVizion Medical develops solutions for enteral feeding. The company's lead product may dramatically reduce the occurrence of misguided tube insertion during nasoenteral feeding and ensures the tube is placed safely and positioned for effective feeding.

The ENVizion solution is designed for patients in intensive care units, pediatric departments, and nursing homes. ENVizion Medical's FDA-cleared product is powered by electromagnetic navigation tube placement technology and ENvue-compliant sump/feeding tubes.

Immediate nutrition is crucial for patients who are mechanically ventilated, in an ICU, post major surgery or born prematurely. All are at risk for a significant deterioration in their medical condition or at worst can die, if they do not receive adequate nutrition through a feeding tube. Annually, 30 million feeding tubes are placed worldwide to provide nutrition to patients. Most tubes are placed blindly without any visual guidance, resulting in a 2-5% chance that they will be accidentally placed in the lungs. This occurrence severely impacts on the health of the patient and in a worst-case scenario can prove fatal. Recognizing the critical need for early feeding in small bowel and lower the risk of tube misplacement, ENVizion applied its expertise in

electromagnetic navigation and enteral feeding to develop the ENvue system.

Product

The ENvue® feeding tube placement system utilizes the most advanced methods of navigation, integrated sensors and body mapping to provide safe and rapid feeding tube placement:

- ▶ **ENvue feeding tube**-Responsive torqueability and pushability; Built-in passive sensor, activated when entering electromagnetic waves field; Post procedure position check without stylet re-insertion.
- ▶ **Electromagnetic field generator and sensors**-Generate an external field that covers the patient's thorax and GI tract; Create personalized body map; Provide the same accurate image even when the patient is moving during the procedure.
- ▶ **Intuitive screen display-Multiple**- simultaneous views; Red arrow alerts of potential entrance to airway; White directional arrow indicates tube direction; Actual patient body contour displayed; Sensor in tube's distal tip displays tip position and indicates direction in real time with no lagging.

Chapter 2

The SAFE Agreements

Simple Agreement for Future Equity

General

As of January 01, 2023, the Company issued the SAFE in the amount of ₪ 755,600 ("**January SAFE**"). As a part of the January SAFE, Envision issued 34,343 Warrants A and 30,224 Warrants B (SAFE & Warrants together: "**SAFE Unit**"). As of February 01, 2023, the Company issued the SAFE in the amount of ₪ 3,200,000 ("**February SAFE**"). As a part of the February SAFE, Envision issued 145,450 Warrants A and 128,000 Warrants B. As of March 01, 2023, the Company issued the SAFE in the amount of ₪ 3,200,000 ("**March SAFE**"). As a part of the March SAFE, Envision issued 100,000 Warrants A and 88,000 Warrants B:

Date of Valuation	SAFE Amount	Warrants A' Amount	Warrants B' Amount
01/01/2023	₪ 755,600	34,343	30,224
01/02/2023	₪ 3,200,000	145,450	128,000
01/03/2023	₪ 2,200,000	100,000	88,000
30/06/2023	₪ 6,155,600	279,793	246,224

¹ For full details see the SAFE Agreement

² transaction or series of transactions with the principal purpose of raising capital yielding to the Company aggregate gross proceeds of at least US\$ 5,000,000, of which at least US\$ 500,000 are invested by one investor.

³ As defined in the SAFE. The "Discount Rate" is 70% (i.e., 30% discount).

The SAFE Terms:

In accordance with the terms of the agreement, the conversion of the SAFE will be carried out as follows:¹

- 1) **Equity Financing:** If there is a Qualified Equity Financing² before the termination of this Safe the Safe will automatically convert into the number of Safe Ordinary Shares equal to the Purchase Amount divided by the Discount Price.³ If a Non-Qualified Equity Financing is being consummated before the termination of this Safe, then the following shall apply: The Investor may notify the Company in writing within ten (10) days from the receipt of the Company's notice of its decision to receive shares in the framework of the Non-Qualified Equity Financing. Then the Investor will be issued with the such number of fully paid and non-assessable Safe Ordinary Shares equal to the Purchase Amount divided by the Discount Price.
- 2) **Target Date Conversion:** If no Qualified Equity Financing is consummated prior to the Target Date, and this Safe has not

otherwise terminated, then on the Target Date,⁴ this Safe will automatically convert into the number of Safe Ordinary Shares equal to the Purchase Amount divided by the Target Price.⁵

- 3) **Liquidation Event:** This means a merger, consolidation, recapitalization or similar event of the Company with or into another corporation. If there is a Liquidation Event before the expiration or termination of this Safe, and as a condition to the execution of the Liquidation Event, the Investor will automatically be entitled to receive a cash payment equal to five times (5X) the Purchase Amount of the Investor Amount (the “**Cash-Out Amount**”).
- 4) **Dissolution Event:** Means a voluntary permanent termination of operations, or winding up of the Company, whether voluntary or involuntary. If there is a Dissolution Event before the termination of this Safe, the Investor will automatically be entitled (cash payment equal to two times (2X) the Purchase, due and payable to the Investor immediately prior to the consummation of the Dissolution Event.

⁴ December 31, 2024;

⁵ The price per share equal to the average closing price of the Ordinary Shares on TASE during the twenty-two (22) Trading Days preceding the Target Date, multiplied by the Target Discount Rate. “Target Discount Rate” is 65% (i.e., 35% discount).

5) **Liquidation Priority:**

- ▶ On par with payments of outstanding indebtedness and creditor claims, including contractual claims for payment and convertible promissory notes (, and/or payments for other Safes, and if the applicable Proceeds are insufficient to permit full payments to the Investor and such other creditors and/or Safes on par with the Investor, the applicable Proceeds will be distributed pro rata to the Investor and such other creditors and/or Safes on par with the Investor in proportion to the full payments that would otherwise be due; and
- ▶ Senior to payments for Ordinary Shares.

According to the information provided to us by the Company's management, the probability of the Liquidation Event Scenario (as defined in the SAFE Agreement), the Dissolution Event Scenario, or the Target Date Conversion Scenario is close to 0%. In our valuation, based on the Company's assumptions, we took into consideration the probability of the Equity Financing

Scenario only. The complement to the probability of the Equity Financing Scenario is the probability of the Failure Scenario, the scenario when the Company not being able to meet its commitments. In that case value will be equal to zero.

The Warrant Terms:

- ▶ **Warrants A:** Amount -279,973; Exercise Price- ₪22;
Expiration date - December 31, 2025.

- ▶ **Warrants B:** Amount -246,224; Exercise Price- ₪25;
Expiration date - December 31, 2027.

Chapter 3

Main Assumption

General

As mentioned above, we asked the Company's management to assume probabilities for each possible scenario. The following table represents the Company's assumptions (probabilities):

Event/Month	30/06/2023	31/12/2023
Financing	50%	5%
Liquidity Event	0%	0%
Target Date Conversion	0%	0%
Dissolution Event	0%	0%
Failure Event	50%	95%
Summary	100%	100%

We assumed that in the case of the Failure Event Scenario, there would be no how to return the SAFE amount.

The Main Assumptions:

In our calculations, we used the following parameters:

- ▶ **The SAFE expected term in the Equity Financing scenario:** As of December 31, 2023, 0.5 years.
- ▶ **Implied Discount Rate:** For January's SAFE, 70.62%; For February's SAFE, 72.06%; For January's SAFE, 79.35%.
- ▶ **Envizion's Share Price (Warrants Valuation)-** Tel Aviv Stock Exchange - ₪3.13 (OTC transaction 27/12/23).
- ▶ **Standard Deviation (Warrants Valuation):** Based on the Company's share price history: As of 31.12.23, for Warrant A' – 74.93%; for Warrant B' – 69.79%.

- ▶ **Risk-free interest rate (Warrants Valuation):** : As of 31.12.23, for Warrant A' – 3.82%; for Warrant B' – 3.64%.
- ▶ **Term (Warrants):** As of 31.12.23, for Warrant A' – 2 years; for Warrant B' – 4 years.
- ▶ **Exercise Price (Warrants):** See the previous section.
- ▶ **DLOM (Warrants Valuation)-** As of 31.12.23 - 19.38 % (STDV - 82%; Term -1 year; Rfr-4.12%).

Findings

The next table represents the SAFE's and the Warrants fair value as of the Date of Valuation:

SAFE Value

Date of Valuation	Type of SAFE	Fair Value
31/12/2023	January	₪ 41,319
	February	₪ 174,253
	March	₪ 117,339
Total		₪ 332,911

Warrants Value

Date of Valuation	Type	Amount	Fair Value	Total Value
31/12/2023	Warrant A	279,793	₪ 0.062635	₪ 17,525
	Warrant B	246,224	₪ 0.232080	₪ 57,144

Appendices

Appendix A: Limited Liability

This paper is based, among other things, on data, forecasts, assumptions, and assessments received from Envizion management at our request. Liability for the reliability of the different types of information, data, presentations, assessments, and explanations provided to us with regard to this paper lies on the providers of this information and we are unable to confirm their precision, wholeness, and fairness. One should emphasize this paper does not include due diligence tests or examination and verification of said information. Therefore, our paper may not be considered or provide confirmation of the truth, wholeness, or precision of the data we received.

Our opinion does not constitute counseling or legal opinion. Interpretation of various documents we used was only for the purposes of this opinion.

In any case, we will not be liable for any loss, damage, cost, or expense incurred by any fashion or way from acts of fraud, misrepresentation, misleading, provision of incorrect or incomplete information, or withholding of information by Envizion and/or anyone acting on its behalf or any other use of said information.

This paper is intended only for information and use by Envizion management and its independent auditors. It may not be used, distributed, quoted, or related to in any form for any other purpose including, without limitation, registration, purchase, or sale of securities. This paper may not be submitted or treated, fully or partially, in a registration statement or any other document. However, we agree this paper be attached to Envizion financial statements.

This paper does not constitute a recommendation to any shareholder regarding their vote on any transaction or recommendation to buy or sell Envizion company shares in view of the findings herein.

We would like to note we do not have a personal interest in Envizion shares.

For purposes herein, we assumed the data provided to us was precise, complete, and fair, and nothing was brought to our attention that may attest to the lack of reasonability of the data we used. Should it turn out to the contrary, our recommendation will change accordingly. Therefore, we retain the right to update it in view of new data that was not brought to us prior to submission of the findings of this paper.

Should we be sued in a legal proceeding for any amount by any third party with regard to the provision of the services we provide due to breach of our above undertakings, Envizion undertakes to bear all reasonable expenses we paid or are required to pay for legal counseling and representation, protection from legal proceedings etc. with regard to any lawsuit, claim or other proceedings due to the services we provide.

Furthermore, we are exempt from liability for any damage incurred by Envizion or anyone acting on its behalf due to D-d and/or omission related directly and/or indirectly to the execution of services, except in cases of gross negligence or malice on our part. Our liability, as far as it stems from the provision of said services will not exceed in any case the 3 times of the remuneration we received from Envizion in return for said services.

The reader must read all the assumptions made throughout the paper.

Appendix C: Details of the evaluating company and appraiser

Details of valuating company – Laor Consulting & Investments Ltd.

Laor Consulting and Investments Co. Ltd. specializes in providing economic-financial consultation and independent professional valuations, based on international accounting regulations US GAAP, IFRS and Israeli accounting regulations, for financial reporting purposes and as expert opinion for courts in Israel and abroad. Company customers include startup companies, public companies and government ministries and entities.

				
Research	Project financing	Investment banking	Business-financial consultation	Accounting standardization
Macro reviews	Project feasibility examination	Mergers and acquisitions	Company valuation	Purchase price access allocation (PPA)
Branch reviews	Counseling for government ministries and companies	Initial public issue (IPO)	Viability tests	Damaged goodwill tests
	Accompaniment and counseling for private companies	Counseling for private issue	Business plans/ tenders	Employee and executive option pricing
	Accompaniment in financing and restructuring		Promotion programs and chief executives	Pricing of financial instruments and derivatives
	Constructing complex financial models		Representing companies with the banking system	Regular share valuation (409A)
	Model auditing		Opinion for courts	Planning and generating presentation
			Financial risk management	

Details of supervising appraiser: Mr. David Litvinov

Over 20 years of financial business experience. Expert in financial engineering and application of transition to international accounting, IFRS, including fair value appraisal of complex financial instruments. David has extensive experience in accompaniment and consultation for a large number of companies, focusing on the valuation of companies and personal involvement in issuing companies on the Tel Aviv stock exchange and NASDAQ. Has an MBA in business administration and BA (with honors) in economics and administration. Also has an investment portfolio management license from the Securities Authority.