

**ARK SURGICAL LTD.**  
**FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2018**

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## AUDITORS' REPORT TO THE SHAREHOLDERS OF ARK SURGICAL LTD.

We have audited the accompanying statements of financial position of ARK SURGICAL LTD. (hereafter - "the Company") as of December 31, 2018 and 2017 and the statements of comprehensive loss, changes in equity and cash flows of the Company for each of the years then ended. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believe that our audit provide a reasonable basis for our opinion.

The Company did not implement the requirements of Israeli accounting standard number 24 - Stock Based Compensation with regard to option granted to employees during 2018.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017 and the results of operations, changes in equity and cash flows of the company for each of the two years then ended in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

Without qualifying our opinion, we draw attention to Note 1C to the financial statements regarding the Company's risk factors. As described in that note, the Company is dependent on outside financing and on the continuing support of its investors.

  
**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A Firm in the Deloitte Global Network**

October 28, 2019

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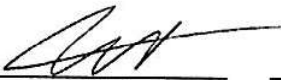
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**ARK SURGICAL LTD.**  
**STATEMENTS OF FINANCIAL POSITION**

		As of December 31,	
	Note	2018	2017
		NIS	
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		93,395	339,760
Other receivables	3	96,020	24,195
Total current assets		<u>189,415</u>	<u>363,955</u>
<b>Fixed assets, gross</b>			
Accumulated depreciation		1,381	1,246
<b>Fixed assets, net</b>		<u>(916)</u>	<u>(1,151)</u>
		<u>465</u>	<u>95</u>
		<u>189,880</u>	<u>364,050</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</u></b>			
<b>Current liabilities</b>			
Trade account payables		94,571	50,366
Other payables	4	127,304	291,405
Total current liabilities		<u>221,875</u>	<u>341,771</u>
<b>Shareholders' equity (deficiency)</b>			
Additional Paid-in Capital	6	594,730	112,500
Accumulated deficit		(626,725)	(90,221)
Total equity (deficiency)		<u>(31,995)</u>	<u>22,279</u>
		<u>189,880</u>	<u>364,050</u>

October 28, 2019  
Date of approval of the  
financial statements

  
Nizar Mishael  
CFO

  
Stav Tori  
CEO

**ARK SURGICAL LTD.**  
**STATEMENTS OF COMPREHENSIVE LOSS**

	<b>Note</b>	<b>For the year ended December 31, 2018</b>	<b>For the period ended December 31, 2017</b>
		<b>NIS</b>	
Research and development expenses, net	7	502,582	61,255
General and administrative expenses, net	8	32,300	28,838
<b>Operating loss</b>		534,882	90,093
Financial expenses, net		1,622	128
<b>Comprehensive loss for the year (*)</b>		536,504	90,221

(\*) The company does not have other comprehensive loss items.

**ARK SURGICAL LTD.**  
**STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

	Share capital	Additional paid in capital	Accumulated deficit	Total
	NIS			
<b>As of June 26, 2017</b>	-	-	-	-
Issuance of paid-in capital	-	112,500	-	112,500
Comprehensive loss for the period	-	-	(90,221)	(90,221)
<b>As of December 31, 2017</b>	-	112,500	(90,221)	22,279
Issuance of paid-in capital	-	482,230	-	482,230
Comprehensive loss for the year	-	-	(536,504)	(536,504)
<b>As of December 31, 2018</b>	-	594,730	(626,725)	(31,995)

**ARK SURGICAL LTD.**  
**STATEMENTS OF CASH FLOWS**

	For the year ended December 31, <u>2018</u>	For the period ended December 31, <u>2017</u>
	NIS	
<b><u>CASH FLOWS - OPERATING ACTIVITIES</u></b>		
Loss for the year	(536,504)	(90,221)
<b><u>Adjustments required to reconcile cash flows from operating activities</u></b>		
<b>Expenses not involving cash flows:</b>		
Depreciation	(235)	1,151
<b>Changes in operating assets and liabilities:</b>		
Increase in others receivables	(71,825)	(24,195)
Increase in trade account payables	44,205	50,366
Increase (decrease) in other payables	(164,101)	291,405
<b>Net cash provided (used) in operating activities</b>	<u>(728,460)</u>	<u>228,506</u>
<b><u>CASH FLOWS - INVESTING ACTIVITIES</u></b>		
Purchase of fixed assets	(896)	(8,306)
Grants from the IIA	761	7,060
<b>Net cash used in investing activities</b>	<u>(135)</u>	<u>(1,246)</u>
<b><u>CASH FLOWS - FINANCING ACTIVITIES</u></b>		
Issuance of shares and paid in capital	482,230	112,500
<b>Net cash provided by financing activities</b>	<u>482,230</u>	<u>112,500</u>
<b>Increase in cash and cash equivalents</b>	(246,365)	339,760
<b>Cash and cash equivalents at the beginning of the period</b>	339,760	-
<b>Cash and cash equivalents at the end of the period</b>	<u>93,395</u>	<u>339,760</u>

**ARK SURGICAL LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - GENERAL**

**A. General information:**

ARK SURGICAL LTD. (the "Company") was incorporated in June 26, 2017 and commenced its operations on the same day. The company is developing and commercializing LapBox, a proprietary simple-to-use device facilitating contained removal of large internal organs through a laparoscopic "keyhole" incision in a safe and cost effective manner.

The Company's research and development program has been approved by the Israeli innovation authority (the "IIA"). The Company began in June 2017 to operate in N.G.T -V.C 2012 (the "Incubator") pursuant to the Directive issued by the Israeli Innovation Authority (the "Directive").

**B. Definitions:**

**Related parties** - As construed in opinion No. 29 of the Institute of Certified Public Accountants in Israel.

**NIS** - New Israeli Shekel.

**USD** - U.S. Dollar.

**IIA** - The Israeli Innovation Authority.

**C. Risk factors:**

The financial statements of the Company for the year ended December 31, 2018, reflect an accumulated deficit in amount of NIS 626,725.

The Company has a relatively short-term operating history and faces a number of risks, including uncertainties regarding development and approval of its product. Additionally, the Company expects that it will continue to incur significant operating costs and losses in connection with the development of its product.

As of the balance sheet date, the Company has not yet generated any revenues from its operations to fund its activities and, therefore, the continuation of the Company's activities and its obligations are dependent upon the receipt of financing from its shareholders or new investors.

**D. Use of estimates in the preparation of financial statements:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and the amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.



**ARK SURGICAL LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of the financial statements on a consistent basis, are as follows:

**A. The reporting basis of the financial statements:**

The financial statements are prepared in nominal amounts based on the historical cost convention.

**B. Financial statements in NIS:**

The Functional currency of the Company is the NIS.

**C. Cash equivalents:**

The Company considers all highly liquid investments, including unrestricted short-term bank deposits purchased with original maturities of three months or less, to be cash equivalents.

**D. Fixed assets:**

Fixed assets are presented at cost, including direct acquisition costs, less accumulated impairment losses, accumulated depreciation and investment grants, and excluding day-to-day servicing expenses.

Depreciation is calculated by the straight-line method at annual rates which are deemed adequate to depreciate the assets over their estimated useful lives, at the following rates:

**E. Impairment of assets:**

The Company examines at each balance-sheet date the recoverable value of its assets whenever any signs point to a possible reduction in the value of these assets. Whenever the book value exceeds the asset's recoverable value, the Company recognizes a loss from this impairment. Such a loss from any asset other than goodwill that was recognized in the past is eliminated only when a change occurred in the estimates used in the determination of the recoverable amount, from the date when the last impairment was recognized as a loss. The book value following this elimination does not exceed the book value that would have been established for the asset had a loss from impairment not been recorded in previous periods.

**F. Research and development costs:**

Research and development costs are charged to operations as incurred.

**ARK SURGICAL LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**G. Deferred taxes:**

Since the Company is not expected to generate any taxable income in the foreseeable future, the Company did not record deferred-tax assets in respect of carry-forward tax losses or in respect of income differentials for tax purposes.

**H. Fair value of financial instruments:**

The Company's financial instruments are principally non-derivative assets such as cash and cash equivalents, receivables and other current balances and non-derivative liabilities such as other current payables and trade payable. Because of the nature of these financial instruments, fair values of such instruments generally are not materially different from the book values.

**I. Exchange rates and linkage basis:**

- (1) Balances in foreign currency, or linked thereto, are included in the financial statements according to the representative exchange rates published by the Bank of Israel and which were in effect as of the balance sheet day.
- (2) Balances linked to the consumer price index are presented according to the last known index on the balance sheet date (the index of the month of November of each year).
- (3) Exchange rate and linkage differentials are credited to the statement of income upon the incurrence thereof.

**NOTE 3 - OTHER RECEIVABLES**

	As of December 31,	
	2018	2017
	NIS	
Government institutions	73,754	24,195
Related parties	22,266	-
	<u>96,020</u>	<u>24,195</u>

**NOTE 4 - OTHER PAYABLES**

	As of December 31,	
	2018	2017
	NIS	
Accrued expenses	59,392	24,411
Employees and related institutions	66,316	51,924
Deferred income - IIA	1,596	127,977
Related parties	-	87,093
	<u>127,304</u>	<u>291,405</u>

**ARK SURGICAL LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES**

In 2017, the Company received approval from the IIA for a research and development project in the technological incubators program (the "Program"). The approved budget accumulated to a total amount of NIS 3,000,000 for two years of operations. According to IIA regulations, the IIA will transfer 85% of the approved budget and the Incubator's shareholders will fund the rest of the budget.

The participation from the IIA requires the Company to pay royalties of 3% (dollar linked and bearing annual interest of libor) from the future sale of products resulting from the research and development work financed by the IIA, capped at the amount of the actual (dollar-linked) funds provided

As of December 31, 2018, the Company received grants from the IIA in a total amount of NIS 1,737,418.

**NOTE 6 - SHAREHOLDERS EQUITY**

**A. Composed:**

	As of December 31,			
	2018		2017	
	Authorized	Issued	Authorized	Issued
	Number of shares			
Ordinary Shares with no par value	5,000,000	56,332	5,000,000	52,500
Ordinary A Shares with no par value	5,000,000	47,500	5,000,000	47,500

**B. Issuance of Share Capital:**

On June 26, 2017, inception day, the Company issued 100,000 ordinary shares as follow:

1. 47,500 Ordinary Shares A with no par value to the Incubator for a consideration of NIS 450 thousands. As of December 31, 2018, the Company received total amount of NIS 337.5 thousands from the Incubator.
2. 52,500 Ordinary Shares with no par value to the Company's founders.
3. During 2018, one of the employees exercised options to purchase 32 Ordinary Shares with no par value of the Company.
4. During 2018, the Company signed on a Patent Rights Purchase Agreement with SafeSac Medical Ltd. (hereafter: "SafeSac"). According to the agreement, the Company issued 3,800 Ordinary Shares with no par value to SafeSac in consideration for the purchase of the patent rights related to the Company's technology.

**C. Stock Based Compensation:**

The company has granted options to its employees, but the granting of the options has not implemented in the financial statements.

**ARK SURGICAL LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 - RESEARCH AND DEVELOPMENT EXPENSES, NET**

	For the year ended December 31, 2018	For the period ended December 31, 2017
	<u>NIS</u>	
Salaries and related expenses	511,092	244,017
Professional services and subcontractors	587,247	177,681
Materials and other R&D	74,200	7,219
Depreciation and amortization	(235)	1,151
Patents	396,799	53,818
	<u>1,569,103</u>	<u>483,886</u>
Less - Grants from the IIA	<u>(1,066,521)</u>	<u>(422,631)</u>
	<u>502,582</u>	<u>61,255</u>

**NOTE 8 - GENERAL AND ADMINISTRATIVE EXPENSES, NET**

	For the year ended December 31, 2018	For the period ended December 31, 2017
	<u>NIS</u>	
Marketing and advertising	47,525	5,665
Fees and taxes	3,195	3,352
Overhead	121,200	60,000
Traveling abroad	43,414	15,636
	<u>215,334</u>	<u>84,653</u>
Less - Grants from the IIA	<u>(183,034)</u>	<u>(55,815)</u>
	<u>32,300</u>	<u>28,838</u>

**NOTE 9 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

**A. Balances with related parties**

	As of December 31, 2018	2017
	<u>NIS</u>	
Related parties	<u>22,266</u>	<u>(87,093)</u>

**B. Transactions with related parties**

	For the year ended December 31, 2018	For the period ended December 31, 2017
	<u>NIS</u>	
Overhead	<u>121,200</u>	<u>60,000</u>