MAZOR ROBOTICS Ltd.

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2011
(UNAUDITED)

Condensed Consolidated Financial Statements as at March 31, 2011

Contents

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Review Report to the Shareholders of Mazor Robotics Ltd.

Introduction

We have reviewed the accompanying financial information of Mazor Robotics Ltd. and its subsidiary (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of March 31, 2011 and the related condensed consolidated interim statements of income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, May 30, 2011

Condensed Consolidated Interim Statements of Financial Position as at March 31

	March 31,		December 31,
	2011	2010	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Cash and cash equivalents	**34,346**	9,197	17,042
Short-term deposits	**-**	22,095	-
Short-term investments	**48,237**	46,225	47,325
Trade receivables	**3,566**	369	2,983
Other accounts receivable	**997**	614	993
Inventory	**3,643**	1,757	4,143
Total current assets	**90,789**	80,257	72,486
Prepaid expenses on account of lease of motor vehicles	**183**	171	168
Fixed assets, net	**975**	922	794
Intangible assets, net	**3,534**	3,974	3,822
Total non-current assets	**4,692**	5,067	4,784
Total assets	**95,481**	85,324	77,270

The accompanying notes are an integral part of the interim financial statements.

Condensed Consolidated Interim Statements of Financial Position as at March 31

	March 31,		December 31,
	2011	**2010**	**2010**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Current liabilities			
Trade payables	**2,861**	1,181	4,208
Other accounts payable	**5,656**	3,097	4,288
Total current liabilities	**8,517**	4,278	8,496
Convertible debentures	**12,071**	10,620	11,688
Employee benefits	**595**	679	554
Liabilities to the Chief Scientist	**2,288**	2,933	2,781
Total non-current liabilities	**14,954**	14,232	15,023
Total liabilities	**23,471**	18,510	23,519
Equity			
Ordinary shares	**221**	197	197
Share premium	**201,316**	180,803	181,183
Receipts on account of options	**14,360**	11,390	11,390
Receipts on account of conversion option of convertible debentures	**3,084**	3,084	3,084
Capital reserve for share-based payment transactions	**9,521**	7,322	8,747
Accumulated loss	**(156,492)**	(135,982)	(150,850)
Total equity	**72,010**	66,814	53,751
Total liabilities and equity	**95,481**	85,324	77,270

Jonathan Adereth	Ori Hadomi	Sharon Levita
Chairman of the Board	CEO	CFO

Date of approval of the financial statements: May 30, 2011

The accompanying notes are an integral part of the interim financial statements.

Condensed Consolidated Interim Income Statements

	For the Three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Revenues	**6,359**	590	14,846
Cost of sales	**1,591**	227	3,587
Gross profit	**4,768**	363	11,259
Selling and marketing expenses	**5,085**	3,209	16,489
General and administrative expenses	**2,232**	1,350	6,284
Research and development expenses, net	**2,530**	1,719	8,231
Operating loss	**(5,079)**	(5,915)	(19,745)
Financing income	**233**	566	2,204
Financing expenses	**(783)**	(1,296)	(3,955)
Financing income (expenses), net	**(550)**	(730)	(1,751)
Loss before taxes on income	**(5,629)**	(6,645)	(21,496)
Taxes on income	**13**	11	28
Loss for the period	**(5,642)**	(6,656)	(21,524)

Loss per share

Basic and diluted loss per share (in NIS)	**(0.27)**	(0.34)	(1.09)

The accompanying notes are an integral part of the interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Receipts on account of options	Receipts on account of conversion option	Capital reserve for share-based payment transactions	Accumulated loss	Total
	NIS thousands						
For the three months ended March 2011 (Unaudited)							
Balance as at January 1, 2011	**197**	**181,183**	**11,390**	**3,084**	**8,747**	**(150,850)**	**53,751**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(5,642)**	**(5,642)**
Issue of shares and options	**24**	**20,006**	**2,970**	**-**	**-**	**-**	**23,000**
Options exercised into shares	**(1) -**	**127**	**-**	**-**	**(36)**	**-**	**91**
Share-based payments	**-**	**-**	**-**	**-**	**810**	**-**	**810**
Balance as at March 31, 2011 (Unaudited)	**221**	**201,316**	**14,360**	**3,084**	**9,521**	**(156,492)**	**72,010**
For the three months ended March 2010 (Unaudited)							
Balance as at January 1, 2010	197	180,803	11,390	3,084	6,898	(129,326)	73,046
Loss for the period	-	-	-	-	-	(6,656)	(6,656)
Share-based payments	-	-	-	-	424	-	424
Balance as at March 31, 2010 (Unaudited)	197	180,803	11,390	3,084	7,322	(135,982)	66,814
For the year ended December 31, 2010							
Balance as at January 1, 2010	197	180,803	11,390	3,084	6,898	(129,326)	73,046
Options exercised into shares	(1) -	380	-	-	(107)	-	273
Share-based payments	-	-	-	-	1,956	-	1,956
Loss for the year	-	-	-	-	-	(21,524)	(21,524)
Balance as at December 31, 2010	197	181,183	11,390	3,084	8,747	(150,850)	53,751

(1) Less than NIS 1 thousand.

The accompanying notes are an integral part of the interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

	For the Three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities			
Loss for the period	**(5,642)**	(6,656)	(21,524)
Adjustments:			
Depreciation and amortization	**372**	153	1,417
Financing expenses (income), net	**(408)**	486	1,082
Capital gain on sale of fixed assets	**-**	(5)	(5)
Share-based payment transactions	**810**	424	1,956
Taxes on income	**13**	11	28
	787	1,069	4,478
Change in inventory	**500**	(707)	(3,093)
Change in trade and other accounts receivable	**(587)**	862	(2,207)
Change in prepaid expenses on account of lease of motor vehicles	**(15)**	-	3
Change in trade and other accounts payable	**(369)**	64	4,089
Change in employee benefits	**41**	29	(96)
	(430)	248	(1,304)
Interest received	**1,085**	697	2,464
Interest paid	**-**	-	(825)
Income tax received	**-**	-	76
Income tax paid	**(13)**	(11)	(28)
	1,072	686	1,687
Net cash used in operating activities	**(4,213)**	(4,653)	(16,663)
Cash flows from investing activities			
Proceeds from sale of fixed assets	**-**	5	5
Proceeds from sale (acquisition) of short-term investments, net	**(1,264)**	1,081	21,765
Acquisition of fixed assets	**(265)**	(223)	(575)
Development costs capitalized to intangible assets	**-**	(419)	(1,051)
Net cash from (used in) investing activities	**(1,529)**	444	20,144
Cash flows from financing activities			
Proceeds from options and shares issue	**23,000**	-	-
Proceeds from exercise of options to employees and service providers	**91**	-	273
Receipt of loan from the Chief Scientist	**-**	387	631
Repayment of loan to the Chief Scientist	**(176)**	-	(101)
Net cash from financing activities	**22,915**	387	803
Net increase (decrease) in cash and cash equivalents	**17,173**	(3,822)	4,284
Cash and cash equivalents at beginning of the year	**17,042**	13,354	13,354
Effect of exchange rate fluctuations on cash and cash equivalents	**131**	(335)	(596)
Cash and cash equivalents at end of the period	**34,346**	9,197	17,042

The accompanying notes are an integral part of the interim financial statements.

Note 1 - Reporting Entity

Mazor Robotics Ltd. (hereinafter – the "Company") is an Israeli resident company incorporated in Israel. The address of the Company's registered office is 7 HaEeshel St., Caesarea industrial park, Caesarea, Israel. The condensed consolidated financial statements of the Group as at March 31, 2011 comprise the Company and its wholly owned subsidiary, Mazor Robotics Inc. (together referred to as the "Group"). The Company engages in the field of robotic-guided surgery (image guided surgery, also called computer assisted surgery), primarily through highly-accurate guiding and navigating of surgical instruments in order to reduce surgical invasiveness. The securities of the Company are registered for trade on the Tel Aviv Stock Exchange as from August 2007.

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2010 (hereinafter – "the annual financial statements"). Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on May 30, 2011.

B. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those that applied to the annual financial statements.

Note 3 - Significant Accounting Policies

Except as described below in Items (A), the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

Presented hereunder is a description of the changes in accounting policies that were applied in these condensed consolidated interim financial statements and their effect:

A. Interim financial reporting

As from January 1, 2011 the Group implements the amendment to IAS 34 Interim Financial Reporting – Significant events and transactions (hereinafter – “the Amendment”), which was issued in the framework of Improvements to IFRSs 2010. The Amendment expanded the list of events and transactions that require disclosure in interim financial statements and also removed the materiality threshold from the minimum disclosure requirements that was included in the Standard before its amendment. The disclosures required as a result of the Amendment are reflected in these condensed interim financial statements.

B. New standards and interpretations not yet adopted

(1) Financial Instruments standard, IFRS (2010), (hereinafter - “the standard”)

Further to that mentioned in the annual financial statements in the note on significant accounting policies with respect to new standards and interpretations not yet adopted, the Group is examining the effects of adopting the Standard on the financial statements and has no plans for early adoption.

(2) IFRS 10 Consolidated Financial Statements (hereinafter – “IFRS 10”)

IFRS 10 replaces the requirements of IAS 27 Consolidated and Separate Financial Statements and the requirements of SIC-12 Consolidation – Special Purpose Entities with respect to the consolidation of financial statements, so that the requirements of IAS 27 will continue to be valid only for separate financial statements.

IFRS 10 introduces a new single control model for determining whether an investor controls an investee and should therefore consolidate it. This model is implemented with respect to all investees. According to the model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee.

Presented hereunder are certain key changes from the current consolidation guidance:

- IFRS 10 introduces a model that requires applying judgment and analyzing all the relevant facts and circumstances for determining who has control and is required to consolidate the investee. This is reflected in, inter alia, the need to understand the design and purpose of an investee and the need to take into account evidence of power. Furthermore, the model explicitly requires identifying the investee’s activities as part of the control assessment.

Note 3 - Significant Accounting Policies (Cont'd)

B. New standards and interpretations not yet adopted (cont'd)

(2) IFRS 10 Consolidated Financial Statements (hereinafter – "IFRS 10") (cont'd)

- IFRS 10 introduces a single control model that is to be applied to all investees, both those presently in the scope of IAS 27 and those presently in the scope of SIC-12.
- De facto power should be considered when assessing control. This means that the existence of de facto control could require consolidation.
- When assessing control, all "substantive" potential voting rights will be taken into account. The structure, reasons for existence and conditions of potential voting rights should be considered.
- IFRS 10 provides guidance on the determination of whether a decision maker is acting as an agent or as a principal when assessing whether an investor controls an investee.
- IFRS 10 provides guidance on when an investor would assess power over portion of the investee (silos), that is over specified assets of the investee.
- IFRS 10 provides a definition of protective rights.
- The exposure to risk and rewards of an investee does not, on its own determine that the investor has control over an investee, rather it is one of the factor of control analysis.

IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted providing that disclosure is provided and early adoption of two other standards - IFRS11 Joint Arrangements and IFRS12 Disclosure of involvement with other Entities.

Note 4 - Segment Reporting

A. The basis for the segment division and the basis for measurement of the income are the same and the said basis is presented in Note 20 “Activity Segments” in the annual financial statements.

B. Information about reportable segments

The Group has four reportable segments as specified in the table below.
Segment information is presented regarding the Group’s geographical segments on the basis of information that is reviewed by the chief operating decision maker.
Segment profits and segment assets are not reviewed by the chief operating decision maker as most of the Company’s expenses and assets cannot be attributed and therefore are not presented.

Information regarding the operations of reportable segments in presented in the table below:

	For the three months ended March 31, 2011				
	Israel	Eastern Europe	Western Europe	USA	Total
	NIS thousands				
Total revenues	**94**	**11**	**2,039**	**4,215**	**6,359**

	For the three months ended March 31, 2010				
	Israel	Eastern Europe	Western Europe	USA	Total
	NIS thousands				
Total revenues	138	-	358	94	590

	For the year ended December 31, 2010				
	Israel	Eastern Europe	Western Europe	USA	Total
	NIS thousands				
Total revenues	536	3,329	4,588	6,393	14,846

Note 5 – Issuance of Share Capital and Options

A. On March 23, 2011, the Company’s Board of Directors approved a grant of 40,000 options to six Company employees pursuant to the 2011 Options Plan, which was approved by the Board of Directors.

The exercise price for the options is NIS 9.692 for an exercise share. The vesting period of the options is 4 years from the grant date, where half of the options will vest two years after the grant date and thereafter each year an additional 25% of the number of options will vest.

The fair value of the options granted was measured in accordance with the Binomial model and was set at NIS 186 thousand.

B. On March 23, 2011, the Company’s Board of Directors approved a grant of 12,480 options to the CEO as part of the annual bonus to which the CEO is entitled pursuant to the employment agreement approved by the General Meeting of the shareholders. The exercise price for the options is NIS 9.692 for an exercise share.

The vesting period of the options is 2 years from the grant date, where half of the options will vest one year after the grant date and thereafter every six months an additional 25% of the number of options will vest.

The fair value of the options granted was measured in accordance with the Binomial model and was set at NIS 56 thousand.

Note 5 – Issuance of Share Capital and Options (Cont'd)

C. Pursuant to a decision of the Company's Board of Directors on February 21, 2011, and investment agreements signed on February 23, 2011, the Company decided to issue to investors (as defined below), a total of 2,421,053 of the Company's ordinary shares of NIS 0.01 par value each and a total number of 968,421 non-marketable options that will not be registered for trading and that may be exercised for 968,421 of the Company's ordinary shares ("the Issued Shares" and "the Options", respectively, and together "the Offered Securities"), in exchange for an aggregate consideration of NIS 23,000 thousand – all as detailed below:

(1) The Company will issue to The Phoenix Insurance Company Ltd., for it and for other companies in The Phoenix 1 Group (together "The Phoenix") (based on an internal allocation agreed to by the parties) a total of 2,000,000 of the Company's ordinary shares of NIS 0.01 par value each.

800,000 non-marketable options that will not be registered for trading and that may be exercised for 800,000 of the Company's ordinary shares of NIS 0.01 par value each, exercisable during 5 years from their issuance date at an exercise price of NIS 14 option.

(2) The Company will issue to Lider Issuances (1993) Ltd. ("Lider"), a total of 421,053 of the Company's ordinary shares of NIS 0.01 par value each.

168,421 non-marketable options that will not be registered for trading and that may be exercised for 168,421 of the Company's ordinary shares of NIS 0.01 par value each, exercisable during 5 years from their issuance date at an exercise price of NIS 14 option.

The fair value of each of the options in accordance with the Binomial model on the issuance date was NIS 3.7 and the fair value of all the options issued to the offerees is NIS 3,582 thousand.

The Company allocated the aggregate proceeds received from the issuance based on the relative fair values of the equity instruments issued such that the amount of NIS 2,970 thousand was recorded as receipts on account of options and NIS 20,030 thousand was recorded as share capital and premium on shares.

Note 6 – Significant Events During the Period

A. On March 2, 2011, the Company received a first order for acquisition of the SpineAssist system from AB Medica, an Italian distribution company, with which the Company has signed a distribution agreement.

B. On March 7, 2011, the Company sold a robot SpineAssist system to the University of California Hospital located in the city of Irvine (UCI).

C. On March 14, 2011, the Company entered into an undertaking with a local distributor for distribution of its products in South Korea. As part of the distribution agreement, the distributor undertook to purchase in the second quarter of 2011 the first SpineAssist system.

D. On March 21, 2011, a sale transaction was completed for an additional robot SpineAssist system to a customer in the Dutch market.

E. On March 30, 2011, a robot SpineAssist system was sold to Metro Health Hospital, in Michigan in the United States.