

**MAZOR ROBOTICS Ltd.**  
**and its subsidiary**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
AS AT MARCH 31, 2012  
(UNAUDITED)**

**Condensed Consolidated Financial Statements as at March 31, 2012**

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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, 2012 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.

Without qualifying our above conclusion, we call attention to that mentioned in Note 1B regarding the Company’s continuing negative cash flow from operating activities and the Company’s business plans in this respect.

**Somekh Chaikin**  
**Certified Public Accountants (Isr.)**

Haifa, May 14, 2012

**Condensed Consolidated Interim Statements of Financial Position as at**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Assets</b>			
Cash and cash equivalents	<b>10,317</b>	34,346	6,324
Short-term deposits	-	-	7,102
Short-term investments	<b>43,405</b>	48,237	48,130
Trade receivables	<b>10,666</b>	3,566	5,181
Other accounts receivable	<b>1,663</b>	997	1,025
Inventory	<b>5,171</b>	3,643	5,065
	<u>71,222</u>	<u>90,789</u>	<u>72,827</u>
<b>Total current assets</b>			
Prepaid expenses on account of lease of motor vehicles	<b>201</b>	183	212
Deferred tax assets	<b>324</b>	-	333
Fixed assets, net	<b>2,321</b>	975	2,000
Intangible assets, net	<b>2,382</b>	3,534	2,670
	<u>5,228</u>	<u>4,692</u>	<u>5,215</u>
<b>Total non-current assets</b>			
	<u>76,450</u>	<u>95,481</u>	<u>78,042</u>
<b>Total assets</b>			

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

**Condensed Consolidated Interim Statements of Financial Position as at**

	March 31,		December 31,
	2012	2011	2011
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Current liabilities</b>			
Trade payables	3,773	2,861	3,807
Other accounts payable	8,901	5,656	7,007
Convertible debentures	13,822	-	13,356
<b>Total current liabilities</b>	<b>26,496</b>	8,517	24,170
Convertible debentures	-	12,071	-
Employee benefits	796	595	726
Liabilities to the Chief Scientist	1,736	2,288	1,626
<b>Total non-current liabilities</b>	<b>2,532</b>	14,954	2,352
<b>Total liabilities</b>	<b>29,028</b>	23,471	26,522
<b>Equity</b>			
Ordinary shares	222	221	222
Share premium	212,806	201,316	210,106
Receipts on account of options	2,969	14,360	5,669
Receipts on account of conversion option of convertible debentures	3,084	3,084	3,084
Capital reserve for share-based payment transactions	11,587	9,521	10,973
Accumulated loss	(183,246)	(156,492)	(178,534)
<b>Total equity</b>	<b>47,422</b>	72,010	51,520
<b>Total liabilities and equity</b>	<b>76,450</b>	95,481	78,042

Jonathan Adereth  
Chairman of the Board

Ori Hadomi  
CEO

Sharon Levita  
CFO

Date of approval of the financial statements: May 14, 2012

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

**Condensed Consolidated Interim Income Statements**

	For the three months		For the year
	period ended		ended
	March 31	March 31	December 31
	2012	2011	2011
Unaudited	Unaudited	Audited	
	NIS thousands		NIS thousands
Revenues	<b>9,222</b>	6,359	21,302
Cost of sales	<b>2,265</b>	* 1,719	6,725
<b>Gross profit</b>	<b>6,957</b>	4,640	14,577
Selling and marketing expenses	<b>7,201</b>	* 5,385	25,018
General and administrative expenses	<b>1,682</b>	* 1,619	5,867
Research and development expenses, net	<b>2,260</b>	* 2,715	10,959
<b>Operating loss</b>	<b>(4,186)</b>	(5,079)	(27,267)
Financing income	<b>575</b>	233	2,735
Financing expenses	<b>(1,092)</b>	(783)	(3,394)
<b>Financing expenses, net</b>	<b>(517)</b>	(550)	(659)
<b>Loss before taxes on income</b>	<b>(4,703)</b>	(5,629)	(27,926)
Taxes on income	<b>9</b>	13	(242)
<b>Loss for the period</b>	<b>(4,712)</b>	(5,642)	(27,684)
<b>Loss per share</b>			
Basic and diluted loss per share (in NIS)	<b>(0.21)</b>	(0.27)	(1.27)

\* Reclassified, see Note 2C.

The accompanying notes are an integral part of the condensed 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						
<b>For the three months ended</b>							
<b>March 31, 2012 (Unaudited)</b>							
<b>Balance as at January 1, 2012</b>	222	210,106	5,669	3,084	10,973	(178,534)	51,520
Loss for the period	-	-	-	-	-	(4,712)	(4,712)
Options that have expired	-	2,700	(2,700)	-	-	-	-
Share-based payments	-	-	-	-	614	-	614
<b>Balance as at March 31, 2012 (Unaudited)</b>	<b>222</b>	<b>212,806</b>	<b>2,969</b>	<b>3,084</b>	<b>11,587</b>	<b>(183,246)</b>	<b>47,422</b>
<b>For the three months ended</b>							
<b>March 31, 2011 (Unaudited)</b>							
<b>Balance as at January 1, 2011</b>	197	181,183	11,390	3,084	8,747	(150,850)	53,751
Loss for the period	-	-	-	-	-	(5,642)	(5,642)
Issuance of options and shares	24	20,006	2,970	-	-	-	23,000
Options to underwriters that were exercised into shares	<sup>(1)</sup> -	127	-	-	(36)	-	91
Share-based payments	-	-	-	-	810	-	810
<b>Balance as at March 31, 2011 (Unaudited)</b>	<b>221</b>	<b>201,316</b>	<b>14,360</b>	<b>3,084</b>	<b>9,521</b>	<b>(156,492)</b>	<b>72,010</b>
<b>For the year ended</b>							
<b>December 31, 2011</b>							
<b>Balance as at</b>							
<b>January 1, 2011</b>	197	181,183	11,390	3,084	8,747	(150,850)	53,751
Issuance of options and shares	24	20,006	2,970	-	-	-	23,000
Options exercised into shares	1	232	(6)	-	(35)	-	192
Options that have expired	-	8,685	(8,685)	-	-	-	-
Share-based payments	-	-	-	-	2,261	-	2,261
Loss for the year	-	-	-	-	-	(27,684)	(27,684)
<b>Balance as at</b>							
<b>December 31, 2011</b>	<b>222</b>	<b>210,106</b>	<b>5,669</b>	<b>3,084</b>	<b>10,973</b>	<b>(178,534)</b>	<b>51,520</b>

<sup>(1)</sup> Less than NIS 1 thousand.

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

**Condensed Consolidated Interim Statements of Cash Flows**

	For the three months period ended		For the year ended
	March 31 2012	March 31 2011	December 31 2011
	Unaudited	Unaudited	Audited
	NIS thousands		NIS thousands
<b>Cash flows from operating activities</b>			
Loss for the period	(4,712)	(5,642)	(27,684)
Adjustments:			
Depreciation and amortization	470	372	1,612
Financing expenses (income), net	44	(408)	736
Share-based payment transactions	614	810	2,261
Taxes on income	9	13	(242)
	<u>1,137</u>	<u>787</u>	<u>4,367</u>
Change in inventory	(106)	500	(1,603)
Change in trade and other accounts receivable	(6,123)	(587)	(2,230)
Change in prepaid expenses on account of lease of motor vehicles	11	(15)	(44)
Change in trade and other accounts payable	1,641	(369)	1,442
Change in employee benefits	70	41	172
	<u>(4,507)</u>	<u>(430)</u>	<u>(2,263)</u>
Interest received	1,180	1,085	2,055
Interest paid	-	-	(825)
Income tax paid	(9)	(13)	(91)
	<u>1,171</u>	<u>1,072</u>	<u>1,139</u>
<b>Net cash used in operating activities</b>	<u>(6,911)</u>	<u>(4,213)</u>	<u>(24,441)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale (acquisition) of short-term investments, net	11,298	(1,264)	(7,919)
Acquisition of fixed assets	(503)	(265)	(984)
<b>Net cash from (used in) investing activities</b>	<u>10,795</u>	<u>(1,529)</u>	<u>(8,904)</u>
<b>Cash flows from financing activities</b>			
Proceeds from options and shares issue	-	23,000	23,000
Proceeds from exercise of options to employees and service providers	-	91	192
Repayment of loan to the Chief Scientist	-	(176)	(806)
<b>Net cash from financing activities</b>	<u>-</u>	<u>22,915</u>	<u>22,386</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>3,884</u>	<u>17,173</u>	<u>(10,959)</u>
Cash and cash equivalents at beginning of the period	6,324	17,042	17,042
Effect of exchange rate fluctuations on balance as cash and cash equivalents	109	131	241
<b>Cash and cash equivalents at end of the period</b>	<u>10,317</u>	<u>34,346</u>	<u>6,324</u>

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



**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2012  
(unaudited)**

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**Note 1 - Reporting Entity**

- A. 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, 2012 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.
- B. The Company has a continuing negative cash flow from operating activities. In the opinion of management of the Company, which is based on a cash flow forecast, the Company has the ability to continue operating in the existing format and to meet its liabilities in the forthcoming year, but it will require additional financing in order to realize its business plans in the forthcoming years including in order to finance the plans for marketing and promoting the Company’s products. If additional financing for marketing the Company’s products is not obtained by the end of 2012, the Company will take various actions to reduce expenses, including suspending projects under development and cutting back on marketing activity. The Company will continue to focus on the primary target market, the USA.

**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, 2011 (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 14, 2012.

**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.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2012  
(unaudited)**


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**Note 2 - Basis of Preparation (cont'd)**
**C. Change in classification**

The Company reclassified certain expenses in the statement of income for the three months ended March 31, 2011 so as to reflect in a consistent manner their classification in the financial statements for the period ended March 31, 2012 and in the financial statements for the year ended December 31, 2011. The effect on the statements of income is as follows:

	<b>For the three months ended March 31, 2011</b>		
	<b>As reported in the past</b>	<b>Effect of reclassified</b>	<b>As reported in these statements</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>	<b>NIS thousands</b>
Cost of sales	1,591	128	1,719
Selling and marketing expenses	5,085	300	5,385
General and administrative expenses	2,232	(613)	1,619
Research and development expenses	2,530	185	2,715
	<u>11,438</u>	<u>-</u>	<u>11,438</u>

**Note 3 - Significant Accounting Policies**

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.

**A. New standards and interpretations not yet adopted**
**(1) Financial Instruments standard, IFRS 9, (hereinafter - "the standard")**

Further to that mentioned in the disclosure on new standards and interpretations not yet adopted in Note 3(O) of the annual financial statements regarding significant accounting policies, the Group is examining the effects of applying the Standard on the financial statements and has no plans for early application

**(2) A new suite of accounting standards on Consolidation, Joint Arrangements and Disclosure of Involvement with Other Entities**

Further to that mentioned in the disclosure on new standards and interpretations not yet adopted in Note 3(O) of the annual financial statements regarding significant accounting policies, the Group hasn't yet examined the effects of the Standard's application on the financial statements.

**(3) IFRS 13 Fair Value Measurement (hereinafter – IFRS 13)**

Further to that mentioned in the disclosure on new standards and interpretations not yet adopted in Note 3(O) of the annual financial statements regarding significant accounting policies, the Group has not yet commenced examining the effects of applying the Standard on the financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2012  
(unaudited)**
**Note 4 - Segment Reporting**

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

**B. Information about reportable segments**

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

	For the nine months ended March 31, 2012				Total
	Eastern Europe	Western Europe	USA	Other	
	NIS thousands				
<b>Total revenues</b>	<b>1</b>	<b>600</b>	<b>8,519</b>	<b>102</b>	<b>9,222</b>
	For the nine months ended March 31, 2011				
	Eastern Europe	Western Europe	USA	* Other	Total
	NIS thousands				
<b>Total revenues</b>	<b>11</b>	<b>2,039</b>	<b>4,215</b>	<b>94</b>	<b>6,359</b>
	For the year ended December 31, 2011				
	Eastern Europe	Western Europe	USA	Other	Total
	NIS thousands				
<b>Total revenues</b>	<b>677</b>	<b>7,360</b>	<b>11,065</b>	<b>2,200</b>	<b>21,302</b>

\* All the revenues are from customers in Israel.

**Note 5 - Material Events in the Reporting Period**

A. On January 24, 2012, 595,238 options not registered for trade that were allotted in a private placement on January 24, 2008, expired in accordance with the terms of the options after 48 months had passed from the date of their allotment. An amount of NIS 2,700 thousand was reclassified within equity from the item of receipts on account of options to the item of share premium.

B. On March 12, 2012 the Company announced that it had received an order to supply three robotic Renaissance systems (“the system”) together with a first installment for the aforesaid order. This order was received as part of the exclusive distribution agreement the Company had signed with Cichel Science & Technology Co. Ltd. of China (“Cichel” and “the distribution agreement”, respectively).

In the framework of the distribution agreement, in addition to the acquisition of the aforesaid systems, Cichel undertook to work with the Chinese regulator (SFDA) to advance and receive all the regulatory approvals required for receiving a permit to market the system in China. The systems that will be supplied, in accordance with the order that was received, are designated to serve Cichel in building the marketing infrastructure for the system among opinion makers in the Chinese market and to advance the regulatory proceeding with the Chinese authorities. The systems are not supplied immediately rather will be spread over a period of time that depends on Cichel meeting additional conditions provided in the distribution agreement.