UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2020

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ____ to _____

Commission file number: 000-19871

MICROBOT MEDICAL INC.
(Name of Registrant in Its Charter)

Delaware	**94-3078125**
State or Other Jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification No.)***

25 Recreation Park Drive, Unit 108
Hingham, MA 02043
(Address of principal executive offices)

(781) 875-3605
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of exchange on which registered
Common Stock	MBOT	NASDAQ Capital Market

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer [ ]	Accelerated filer [ ]	
Non-accelerated filer [X]	Smaller reporting company [X]	Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 7,108,133 shares of Common Stock, $0.01 par value at November 13, 2020.

MICROBOT MEDICAL INC. AND SUBSIDIARIES

MICROBOT MEDICAL INC.
Interim Consolidated Balance Sheets
U.S. dollars in thousands
(Except share and per share data)

	Notes	As of September 30, 2020 (Unaudited)	As of December 31, 2019 (Audited)
ASSETS			
Current assets:			
Cash and cash equivalents		$ 26,531	$ 28,771
Marketable security		-	2,521
Restricted cash		79	4,358
Prepaid expenses and other assets		334	286
Total current assets		26,944	35,936
Property and equipment, net		258	228
Operating right-of-use assets	3	822	962
Total assets		$ 28,024	$ 37,126
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payables		$ 190	$ 284
Provision for extinguishment dispute	4	-	3,604
Lease liabilities	3	184	143
Accrued liabilities		545	795
Total current liabilities		919	4,826
Non-current liabilities:			
Long-term lease liabilities		629	760
Total liabilities		1,548	5,586
Stockholders' equity:			
Common stock; $0.01 par value; 60,000,000 shares authorized as of September 30, 2020 and December 31, 2019 7,108,133 and 7,185,628 shares issued and outstanding as of September 30, 2020 and December 31, 2019	5	72	72
Additional paid-in capital		68,047	69,954
Treasury shares	4	-	(3,375)
Accumulated deficit		(41,643)	(35,111)
Total stockholders' equity		26,476	31,540
Total liabilities and stockholders' equity		$ 28,024	$ 37,126

The accompanying notes are an integral part of these consolidated financial statements.

MICROBOT MEDICAL INC.
Interim Consolidated Statements of Operations
U.S. dollars in thousands
(Except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	Unaudited		Unaudited	
Research and development	$ 1,037	$ 843	$ 2,397	$ 2,207
General and administrative	1,378	948	4,065	3,045
Operating loss	(2,415)	(1,791)	(6,462)	(5,252)
Financing expenses, net	(57)	(83)	(70)	(125)
Net loss	$ (2,472)	$ (1,874)	$ (6,532)	$ (5,377)
Basic and diluted net loss per share	$ (0.35)	$ (0.44)	$ (0.92)	$ (1.27)
Basic and diluted weighted average common shares outstanding	7,105,591	4,307,666	7,120,795	4,234,663

The accompanying notes are an integral part of these consolidated financial statements.

MICROBOT MEDICAL INC.
Interim Consolidated Statements of Comprehensive Loss
U.S. dollars in thousands
(Except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	Unaudited		Unaudited	
Net loss	$ (2,472)	$ (1,874)	$ (6,532)	$ (5,377)
Net unrealized loss on available for sale security	-	*	-	*
Comprehensive loss	$ (2,472)	$ (1,874)	$ (6,532)	$ (5,377)

(*) Represents amount less than 1 thousand.

The accompanying notes are an integral part of these consolidated financial statements.

MICROBOT MEDICAL INC.
Interim Consolidated Statements of Shareholder's Equity
U.S. dollars in thousands
(Except share and per share data)

	Common Stock		Additional Paid-In Capital	Treasury Shares	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Amount	Amount	Amount	Amount
Balances, December 31, 2019 (Audited)	7,185,628	$ 72	$ 69,954	$ (3,375)	$ (35,111)	$ 31,540
Exercise of options	5,838	1	(1)	-	-	-
Cancellation of treasury shares	(83,333)	(1)	(3,374)	3,375	-	-
Share-based compensation	-	-	1,468	-	-	1,468
Net loss	-	-	-	-	(6,532)	(6,532)
Balances, September 30, 2020 (Unaudited)	7,108,133	$ 72	$ 68,047	$ -	$ (41,643)	$ 26,476
Balances, June 30, 2020 (Unaudited)	7,103,260	$ 71	$ 67,489	$ -	$ (39,171)	$ 28,389
Share-based compensation	-	-	559	-	-	559
Exercise of options	4,873	1	(1)			
Net loss	-	-	-	-	(2,472)	(2,472)
Balances, September 30, 2020 (Unaudited)	7,108,133	$ 72	$ 68,047	$ -	$ (41,643)	$ 26,476
Balances, December 31, 2018 (Audited)	3,012,343	$ 31	$ 32,538	$ (3,375)	$ (27,864)	$ 1,330
Issuance of common stock and warrants net of issuance expenses	1,295,323	12	9,532	-	-	9,544
Share-based compensation	-	-	906	-	-	906
Net loss	-	-	-	-	(5,377)	(5,377)
Balances, September 30, 2019 (Unaudited)	4,307,666	$ 43	$ 42,976	$ (3,375)	$ (33,241)	$ 6,403
Balances, June 30, 2019 (Unaudited)	4,307,666	$ 43	$ 42,680	$ (3,375)	$ (31,367)	$ 7,981
Share-based compensation	-	-	296	-	-	296
Net loss	-	-	-	-	(1,874)	(1,874)
Balances, September 30, 2019 (Unaudited)	4,307,666	$ 43	$ 42,976	$ (3,375)	$ (33,241)	$ 6,403

The accompanying notes are an integral part of these consolidated financial statements.

MICROBOT MEDICAL INC.
Interim Consolidated Statements of Cash Flows
U.S. dollars in thousands
(Except share and per share data)

	For the Nine Months Ended September 30,	
	2020	2019
	Unaudited	
Operating activities:		
Net loss	$ (6,532)	$ (5,377)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	53	44
Amortization of discount (premium) on marketable debt security	-	(7)
Share-based compensation expense	1,468	906
Changes in assets and liabilities:		
Prepaid expenses and other assets	92	364
Other payables and accrued liabilities	(663)	(461)
Net cash flows from operating activities	(5,582)	(4,531)
Investing activities:		
Purchase of property and equipment	(83)	-
Proceeds from sales of marketable security	2,521	-
Purchase of marketable security	-	(2,496)
Net cash flows from investing activities	2,438	(2,496)
Financing activities:		
Issuance of common stock and warrants, net of issuance costs	-	9,562
Repayment of shareholders investment	(3,375)	-
Net cash flows from financing activities	(3,375)	9,562
(Decrease) Increase in cash, cash equivalents and restricted cash	(6,519)	2,535
Cash, cash equivalents and restricted cash at beginning of period	33,129	5,263
Cash, cash equivalents and restricted cash at ending of period	$ 26,610	$ 7,798
Supplemental disclosure of cash flow information:		
Cash received from interest	$ 31	$ 61

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - GENERAL

A. Description of business:

Microbot Medical Inc. (the "Company") is a pre-clinical medical device company specializing in the research, design and development of next generation micro-robotics assisted medical technologies targeting the minimally invasive surgery space. The Company is primarily focused on leveraging its micro-robotic technologies with the goal of redefining surgical robotics while improving surgical outcomes for patients.

On November 28, 2016 (the "Merger"), the Company consummated a transaction pursuant to an Agreement and Plan of Merger with Microbot Medical Ltd., a private medical device company organized under the laws of the State of Israel ("Microbot Israel"). On the same day and in connection with the Merger, the Company changed its name from StemCells, Inc. to Microbot Medical Inc. On November 29, 2016, the Company's common stock began trading on the Nasdaq Capital Market under the symbol "MBOT".

The Company and its subsidiaries are collectively referred to as the "Company".

B. Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions pertaining to transactions and matters whose ultimate effect on the financial statements cannot precisely be determined at the time of financial statements preparation. Although these estimates are based on management's best judgment, actual results may differ from these estimates.

C. Unaudited Interim Financial Statements

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission ("SEC") regulations. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (consisting only of normal recurring adjustments except as otherwise discussed).

Operating results for the three and nine-month period ended September 30, 2020, are not necessarily indicative of the results that may be expected for the year ended December 31, 2020.

D. Risk Factors:

To date, the Company has not generated revenues from its operations. As of September 30, 2020, the Company had unrestricted cash and cash equivalent balance of approximately $26,531, which management believes is sufficient to fund its operations for more than 12 months from the date of issuance of these financial statements and sufficient to fund its operations necessary to continue development activities of its current proposed products.

Due to continuing research and development activities, the Company expects to continue to incur additional losses for the foreseeable future. While management of the Company believes that it has sufficient funds for more than 12 months, the Company may seek to raise additional funds through future issuances of either debt and/or equity securities and possibly additional grants from the Israeli Innovation Authority and other government institutions. The Company's ability to raise additional capital in the equity and debt markets is dependent on a number of factors, including, but not limited to, the market demand for the Company's stock, which itself is subject to a number of development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company.

An epidemic of the coronavirus disease ("COVID-19") is ongoing throughout the world. As the outbreak is still evolving, much of its impact remains unknown. As of this filing, it is impossible to predict the effect and potential spread of the coronavirus disease globally. The coronavirus disease may cause significant delays and disruptions to our pre-clinical studies.

Additionally, travel restrictions have been implemented with respect to certain countries in an effort to contain the coronavirus disease, and several countries have expanded screenings of travellers. As travel restrictions are increasingly implemented and extended to other countries, the Company and its contract research organizations may be unable to visit its clinical trial sites and monitor the data from its clinical trials on timely basis. The Company's employees may also face travel restrictions, which would impact its business. Furthermore, some of the Company's manufacturers and suppliers are in Europe and may be impacted by port closures and other restrictions resulting from the coronavirus outbreak, which may disrupt the Company's supply chain or limit its ability to obtain sufficient materials for our products.

The ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change, and the Company cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if the Company or any of the third parties with whom the Company's engages, including the suppliers, animal trial sites, contract research organizations, regulators, including the FDA health care providers and other third parties with whom the Company conducts business, were to experience shutdowns or other business disruptions, the Company's ability to conduct our business and operations could be materially and negatively impacted, which could prevent or delay the Company from obtaining approval for its devices.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

The significant accounting policies followed in the preparation of these unaudited interim condensed consolidated financial statements are identical to those applied in the preparation of the latest annual audited financial statements with the exception of the following:

Cash and cash equivalents:

Cash and cash equivalents consist of cash and demand deposits in banks, and other short-term liquid investments (primarily interest-bearing time deposits) with original maturities of less than three months.

Fair value of financial instruments:

The carrying values of cash and cash equivalents, other receivable and other accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of these instruments.

A fair value hierarchy is used to rank the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements were as follows (in thousands):

Recently Adopted Accounting Pronouncements

	As of September 30, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 3,583	$ 3,583	$ -	$ -

	As of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 1,052	$ 1,052	$ -	$ -

Short-term marketable securities:				
US Treasury Bond	$ 2,521	$ 2,521	$ -	$ -

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”), or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In August 2018, the FASB issued ASU 2018-13, “Changes to Disclosure Requirements for Fair Value Measurements”, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for the Company beginning on January 1, 2020. The Company does not expect that this standard will have a material effect on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments”, which introduces a model based on expected losses to estimate credit losses for most financial assets and certain other instruments. In addition, for available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The ASU is effective for smaller reporting companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 (January 1, 2023 for the Company). The Company does not expect that this standard will have a material effect on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes” which eliminates the need for an organization to analyze whether the following apply in a given period: (1) exception to the incremental approach for intraperiod tax allocation; (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments; and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The ASU also is designed to improve financial statement preparers’ application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods.

NOTE 3 - LEASES

On January 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”) using the modified retrospective approach for all lease arrangements at the beginning period of adoption. Leases existing for the reporting period beginning January 1, 2019 are presented under ASU 2016-02. The Company leases office space and vehicles under operating leases.

We determine if an arrangement is a lease at inception. Operating lease assets are presented as operating lease right-of-use (“ROU”) assets, and corresponding operating lease liabilities are presented within accrued expenses and other current liabilities (current portions), and as operating lease liabilities (long-term portions), on our consolidated balance sheet.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the remaining lease payments over the lease term at commencement date. Our leases do not provide an implicit interest rate. We calculate the incremental borrowing rate to reflect the interest rate that we would have to pay to borrow on a collateralized basis an amount equal to the lease payments in a similar economic environment over a similar term, and consider our historical borrowing activities and market data in this determination. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which we account for as a single lease component. Some of our leases contain variable lease payments, which are expensed as incurred unless those payments are based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement and included in the measurement of the lease liability; thereafter, changes to lease payments due to rate or index updates are recorded as rent expense in the period incurred. We have elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of 12 months or less. The effect of short-term leases on our ROU assets and lease liabilities was not material. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. In addition, we do not have any related party leases and our sublease transactions are de minimis.

As of September 30, 2020 and December 31, 2019, the Company's ROU assets and lease liabilities for operating leases totaled $822 and $962, respectively.

Supplemental cash flow information related to operating leases was as follows:

	For the Nine Months Ended September 30, 2020	For the Year Ended December 31, 2019
Cash payments for operating leases	$ 145	$ 354

Undiscounted maturities of operating lease payments as September 30, 2020 and December 31, 2019 are summarized as follows:

	As of September 30, 2020 Operating Leases	Year ended December 31, 2019 Operating Leases
2020 (Remainder of the year)	$ 66	$ 216
2021	235	234
2022	180	180
2023	175	174
2024	176	176
2025	155	154
Total future lease payments	987	1,134
Less imputed interest	(174)	(231)
Total lease liability balance	$ 813	$ 903

Leases recorded on the balance sheet consist of the following:

	As of September 30, 2020	Year ended December 31, 2019
Assets		
Operating lease right of use asset	$ 822	$ 962
Liabilities		
Operating lease - current	184	143
Operating lease - non-current	629	760
	$ 813	$ 903

	As of September 30, 2020	Year ended December 31, 2019
Operating leases weighted average remaining lease term (in years)	2.5	2.5
Operating leases weighted average discount rate	9%	9%

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Government Grants:

Microbot Israel obtained from the Israeli Innovation Authority ("IIA") grants for participation in research and development for the years 2013 through September 30, 2020 in the total amount of approximately $1,500 and, in return, Microbot Israel is obligated to pay royalties amounting to 3%-3.5% of its future sales up to the amount of the grant. The grant is linked to the exchange rate of the dollar to the New Israeli Shekel and bears interest of Libor per annum.

The repayment of the grants is contingent upon the successful completion of the Company's research and development programs and generating sales. The Company has no obligation to repay these grants, if the project fails, is unsuccessful or aborted or if no sales are generated. The financial risk is assumed completely by the Government of Israel. The grants are received from the Government on a project-by-project basis.

TRDF Agreement:

Microbot Israel signed an agreement with the Technion Research and Development Foundation ("TRDF") in June 2012 by which TRDF transferred to Microbot Israel a global, exclusive, royalty-bearing license. As partial consideration for the license, Microbot Israel shall pay TRDF royalties on net sales (between 1.5%-3%) and on sublicense income as detailed in the agreement.

Contract Research Agreements:

Agreement with Washington University

On January 27, 2017, the Company entered into a Contract Research Agreement (the "Research Agreement") with The Washington University ("Washington U."), pursuant to which the parties are collaborating to determine the effectiveness of the Company's self-cleaning shunt.

The study in Washington U. includes several phases. The first phase (initial research) was completed. An agreement on the second phase was entered in September 2018 with total expected costs of approximately $248. As of September 30, 2020, this study is still on going and will be extended to continue until March 15, 2021. Pursuant to the Research Agreement, all rights, title and interest in the data, information and results obtained or arrived at by Washington U. in the performance of its services under the Research Agreement, as well as any patentable inventions obtained or arrived at in the performance of such services, will be jointly owned by the Company and Washington U., and each will have full right to practice and grant licenses in joint inventions. Additionally, Washington U. granted to the Company: (a) a non-exclusive, worldwide, royalty-free, fully paid-up, perpetual and irrevocable license to use and practice patentable inventions (other than joint inventions and improvements to Washington U.'s animal models) obtained or arrived at by Washington U. in the provision of its services under the Research Agreement ("University Inventions") with respect to the self-cleaning shunt; and (b) an exclusive option to obtain an exclusive worldwide license in University Inventions, on terms to be negotiated between the parties.

Agreement with Wayne State University

On September 12, 2016, the Company entered into a research agreement (the "WSU Agreement") with Wayne State University ("WSU."), pursuant to which the parties are collaborating to determine the efficacy of the Company's self-cleaning shunt.

The study in WSU includes several phases. The first phase (initial research) was completed. An agreement on the second phase was entered in April 2018 with total expected costs of approximately $130. In July 2018 the contract was updated to include phase 2.1 (preliminary phase to phase 2) with total expected costs of approximately $213. Pursuant to the WSU Agreement, WSU shall own all data generated by the research and the Company shall have unrestricted free right to use and disclose all the results, information and material generated from the WSU Agreement.

Rights to inventions, improvements or discoveries, whether or not patentable or copyrightable made solely by the employees of the Company in the course of performance of the workplan agreed upon between the Company and WSU shall belong to the Company.

Rights to inventions, improvements or discoveries, whether or not patentable or copyrightable made solely by the employees of WSU in the course of performance of the workplan agreed upon between the Company and WSU shall belong to WSU. WSU shall grant the Company with a worldwide non-exclusive, perpetual, royalty-free license to university inventions to use and practice patentable inventions.

Rights to inventions, improvements or discoveries, whether or not patentable or copyrightable made by at least one employee of WSU and one employee of the Company in the course of performance of the workplan agreed upon between the Company and WSU shall belong to WSU and the Company jointly. Both the Company and WSU will be free to use and license to others the rights of joint inventions for any and all purposes without consultation or obligation to the other party. WSU granted the Company a first option to negotiate an exclusive license to use and practice WSU inventions and its interest in the joint inventions as detailed in the WSU Agreement.

Litigation:

Litigation Resulting from 2017 Financing

The Company lost its appeal of an adverse judgment in the lawsuit captioned Sabby Healthcare Master Fund Ltd. and Sabby Volatility Warrant Master Fund Ltd., Plaintiffs, against Microbot Medical Inc., Defendant, in the Supreme Court of the State of New York, County of New York (Index No. 654581/2017). As a result, the Securities Purchase Agreement (the "SPA") related to the Company's June 8, 2017 equity financing (the "Financing") was rescinded as it related to Sabby Healthcare Master Fund Ltd. and Sabby Volatility Warrant Master Fund Ltd. ("Sabby"), and the Company paid approximately $3,700 to Sabby in return for the 83,333 (post-stock split) shares of common stock Sabby purchased pursuant to the SPA. Soon after, the Company was named as the defendant in a lawsuit captioned Empery Asset Master Ltd., Empery Tax Efficient, LP, Empery Tax Efficient II, LP, Hudson Bay Master Fund Ltd., Plaintiffs, against Microbot Medical Inc., Defendant, in the Supreme Court of the State of New York, County of New York (the "Court") (Index No. 651182/2020). The complaint alleges, among other things, that the Company breached multiple representations and warranties contained in the SPA, of which the Plaintiffs participated, and fraudulently induced Plaintiffs into signing the SPA. The complaint seeks rescission of the SPA and return of the Plaintiffs' $6,750 purchase price with respect to the Financing. The Company filed a Motion to Dismiss on March 16, 2020, which Motion is pending before the Court.

Alliance Litigation

On April 28, 2019, the Company brought an action against Alliance Investment Management, Ltd. ("Alliance"), later amended to include Joseph Mona ("Mona") as a defendant, in the Southern District of New York under Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. 78p(b), to compel Alliance and Mona to disgorge short swing profits realized from purchases and sales of the Company's securities within a period of less than six months. The case is Microbot Medical Inc. v. Alliance Investment Management, Ltd., No. 19-cv-3782-GBD (SDNY). The amount of profits the Company is seeking to divest is estimated to be approximately $468.

On October 28, 2019, Alliance filed a motion for summary judgment requesting that the Court dismiss the claims against Alliance. On February 4, 2020, Mona answered the 16(b) claim the Company asserted against him by claiming various equitable defenses, and filed a counterclaim against Microbot under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, claiming a net loss on trading the Company's stock of approximately $151.

On March 6, 2020, the Company filed a motion for judgment on the pleadings with respect to the Company's 16(b) claim against Mona, together with a motion to dismiss Mona's 10(b) counterclaim. These motions were fully briefed as of April 26, 2020 and remain pending.

On September 17, 2020, the Court issued a Memorandum Decision & Order that, among other things, granted Alliance's summary judgment motion. Notwithstanding the dismissal of the Company's claim against Alliance, the Company's Section 16(b) claim against Mona remains pending.

Agreement with CardioSert Ltd.

On January 4, 2018, Microbot Israel entered into an agreement with CardioSert Ltd. ("CardioSert") to acquire certain patent-protected technology owned by CardioSert (the "Technology").

Pursuant to the Agreement, Microbot Israel made an initial payment of $50 to CardioSert and had 90-days to elect to complete the acquisition. At the end of the 90-day period, at Microbot Israel's sole option, CardioSert shall assign and transfer the Technology to Microbot Israel and Microbot Israel shall pay to CardioSert additional amounts and securities as determined in the agreement.

On April 10, 2018, Microbot delivered an Exercise Notice to CardioSert Ltd., notifying it that Microbot elected to exercise the option to acquire the Technology owned by CardioSert and therefore made an additional cash payment of $250 and 6,738 shares of common stock (100,000 shares of common stock before the Reverse Split) estimated at $74.

The agreement may be terminated by Microbot Israel at any time for convenience upon 90-days' notice. The agreement may be terminated by CardioSert in case the first commercial sale does not occur by the third anniversary of the date of signing of the agreement except if Microbot Israel has invested more than $2,000 in certain development stages, or the first commercial sale does not occur within 50 months. In each of the above termination events, or in case of breach by Microbot Israel, CardioSert shall have the right to buy back the Technology from Microbot Israel for $1.00, upon 60 days prior written notice, but only 1 year after such termination. Additionally, the agreement may be terminated by either party upon breach of the other (subject to cure).

CardioSert agreed to assist Microbot Israel in the development of the Technology for a minimum of one year, for a monthly consultation fee of NIS 40,000 (or approximately US$11.50, based on an exchange rate of NIS3.47 to the dollar) covering up to 60 consulting hours per month.

NOTE 5 - SHARE CAPITAL

Share Capital Developments:

As of September 30, 2020 and December 31, 2019, the Company had 7,108,133 shares and 7,185,628 shares of common stock issued and outstanding, respectively.

On January 14, 2019, the Company entered into a Securities Purchase Agreement with an accredited institutional investor providing for the issuance and sale by the Company to the purchaser of an aggregate of (i) 330,000 shares of the Company's common stock, at a purchase price per share of $6.50 and (ii) 125,323 pre-funded warrants each to purchase one share of common stock, at a purchase price per Pre-Funded Warrant of $6.49. The gross proceeds to the Company were approximately $3,000 before deducting placement agent fees and other offering expenses of approximately $688. The closing of the offering took place on January 15, 2019. The pre-funded warrants were exercised in full in January 2019. As part of the offering the company issued to the underwriter 22,767 warrants for 3.5 years with an exercise price of $8.125 for total value of $165.

On January 15, 2019, the Company entered into a Securities Purchase Agreement with certain accredited institutional investors providing for the issuance and sale by the Company to the purchasers of an aggregate of 590,000 shares of the Company's common stock, at a purchase price per share of $10.00. The gross proceeds to the Company were approximately $5,900 before deducting placement agent fees and other offering expenses of approximately $720. The closing of the offering took place on January 17, 2019. As part of the offering the company issued to the underwriter 29,500 warrants for 3.5 years with exercise price of $12.50 for total value of $221.

On January 23, 2019 the Company entered into a Securities Purchase Agreement with accredited institutional investors providing for the issuance and sale by the Company to the purchasers of an aggregate of 250,000 shares of the Company's common stock, at a purchase price per share of $9.875. The investors also purchased warrants to purchase an aggregate of up to 250,000 shares of the Company's common stock, at a purchase price per warrant of $0.125. The warrants were exercisable for 1 year and had an exercise price of $10.00 per share, for a total value of $2,019. The gross proceeds to the Company from the sale of the shares and warrants were approximately $2,500 before deducting placement agent fees and other offering expenses of approximately $370. The closing of the offering took place on January 25, 2019. As part of the offering the company issued to the underwriter 12,500 warrants for 1 year with an exercise price of $12.50 for total value of $99.

On December 25, 2019 the Company entered into a Securities Purchase Agreement with accredited institutional investors providing for the issuance and sale by the Company to the purchasers of an aggregate of 912,858 shares of the Company's common stock, at a purchase price per share of $10.50. The gross proceeds to the Company were approximately $9,585 before deducting placement agent fees and other offering expenses of approximately $1,090. The closing of the offering took place on December 27, 2019. As part of the offering the Company issued to the underwriter 45,643 warrants for 3.5 years with an exercise price of $13.125 for total value of $371.

On December 27, 2019 the Company entered into a Securities Purchase Agreement with accredited institutional investors providing for the issuance and sale by the Company to the purchasers of an aggregate of 952,383 shares of the Company's common stock, at a purchase price per share of $10.50. The gross proceeds to the Company were approximately $10,000 before deducting placement agent fees and other offering expenses of approximately $1,010. The closing of the offering took place on December 30, 2019. As part of the offering the Company issued to the underwriter 47,619 warrants for 3.5 years with an exercise price of $13.125 for total value of $366.

On December 30, 2019 the Company entered into a Securities Purchase Agreement with accredited institutional investors providing for the issuance and sale by the Company to the purchasers of an aggregate of 900,901 shares of the Company's common stock, at a purchase price per share of $11.10. The gross proceeds to the Company were approximately $10,000 before deducting placement agent fees and other offering expenses of approximately $1,010. The closing of the offering took place on December 31, 2019. As part of the offering the Company issued to the underwriter 45,045 warrants for 3.5 years with an exercise price of $13.875 for total value of $343.

Employee Stock Option Grants

On January 21, 2019, the board of directors approved a grant of 11,630 stock options to purchase an aggregate of up to 11,630 shares of common stock to certain of its directors, at an exercise price per share of $8.60. The stock options vest over a period of 3 years as outlined in the option agreements. As a result, the Company recognized compensation expenses as of September 30, 2020 and 2019 in the total amount of $19 and $37, respectively, included in general and administrative expenses.

On August 12, 2019, the board of directors approved a grant of 17,503 stock options to purchase an aggregate of up to 17,503 shares of common stock to certain of its employees, at an exercise price per share of $5.95. The stock options vest over a period of 3 years as outlined in the option agreements. As a result, the Company recognized compensation expenses as of September 30, 2020 and 2019 in the total amount of $25 and $4, respectively, included in general and administrative expenses.

On October 23, 2019, the board of directors approved a grant of 19,760 stock options to purchase an aggregate of up to 19,760 shares of common stock to certain of its directors, at an exercise price per share of $5.06. The stock options vest over a period of 3 years as outlined in the option agreements. As a result, the Company recognized compensation expenses as of September 30, 2020 and 2019 in the total amount of $21 and $6, respectively, included in general and administrative expenses.

On February 25, 2020, the board of directors approved a grant of 166,666 stock options to purchase an aggregate of up to 166,666 shares of common stock to Mr. Harel Gadot, the Company's Chairman of the Board, President and CEO, at an exercise price per share of $9.64. The stock options vest over a period of 1 years as outlined in the option agreements. As a result, the Company recognized compensation expenses as of September 30, 2020 and 2019 in the total amount of $869 and $0, respectively, included in general and administrative expenses.

On July 14, 2020, the board of directors approved a grant of 31,493 stock options to purchase an aggregate of up to 31,493 shares of common stock to certain of its directors, at an exercise price per share of $6.16. The stock options vest over a period of 3 years as outlined in the option agreements. As a result, the Company recognized compensation expenses as of September 30, 2020 and 2019 in the total amount of $12 and $0, respectively, included in general and administrative expenses.

A summary of the Company's option activity related to options to employees and directors, and related information is as followed:

	As of September 30, 2020	
	Number of stock options	Weighted average exercise price
Outstanding as of December 31, 2019	371,360	$ 9.19
Granted	198,159	9.64
Exercise	(965)	-
Forfeited	-	-
Cancelled	(8,818)	-
Outstanding as of September 30, 2020.	559,736	$ 9.17
Vested at end of period	318,898	$ 9.16

	For the Year ended December 31, 2019	
	Number of stock options	Weighted average exercise price
Outstanding as of December 31, 2018.	398,308	$ 11.50
Granted	48,893	6.20
Forfeited	(28,690)	-
Cancelled	(47,151)	-
Outstanding as of December 31, 2019	371,360	$ 9.19
Vested at end of period	270,827	$ 8.48

The intrinsic value is calculated as the difference between the fair market value of the common stock and the exercise price, multiplied by the number of in-the-money stock options on those dates that would have been received by the stock option holders had all stock option holders exercised their stock options on those dates as of September 30, 2020 and 2019, respectively.

As of September 30, 2020, and 2019, the aggregate intrinsic value of the outstanding options is $854 and $108 respectively, and the aggregate intrinsic value of the exercisable options is $763 and $108, respectively.

As of September 30, 2020, there were approximately $1,662 of total unrecognized compensation costs, net of expected forfeitures, related to unvested share-based compensation awards granted under the Share Incentive Plan. The costs are expected to be recognized over a weighted average period of 0.86 years

The stock options outstanding as of September 30, 2020 and December 31, 2019, summarized by exercise prices, are as follows:

Exercise price $	Stock options outstanding as of September 30, 2020	Stock options outstanding as of December 31, 2019	Weighted average remaining contractual life – years as of September 30, 2020	Weighted average remaining contractual life – years as of December 31, 2019	Stock options exercisable as of September 30, 2020	Stock options exercisable as of December 31, 2019
4.20	77,846	77,846	5.3	6.0	77,846	77,846
6.16	31,492	-	3.0	-	-	-
15.75	131,007	133,546	7.0	7.8	117,544	90,641
8.60	9,304	11,630	9.2	9.9	6,512	5,515
9.00	10,000	10,000	8.0	8.8	7,000	4,750
9.64	166,666	-	-	-	-	-
5.95	17,503	17,503	9.0	9.7	7001	-
5.06	15,808	19,760	9.1	9.8	5136	-
15.30	38,533	38,533	7.3	8.0	36,282	29,533
(*)	61,577	62,542	6.3	6.8	61,577	62,542
	559,736	371,360	7.8	8.3	318,898	270,827

(*) Less than $0.01.

Compensation expense recorded by the Company for its stock-based employee compensation awards in accordance with ASC 718-10 for the nine months ended September 30, 2020 and 2019 was $1,468 and $906, respectively.

The grant date fair values of stock options granted in the years ended September 30, 2020 and 2019 were estimated using the Black-Scholes valuation model with the following:

	As of September 30, 2020	Year ended December 31, 2019
Expected volatility	134.81%	132.63%-144.4%
Risk-free interest	1.62%	1.49%-2.62%
Dividend yield	0%	0%
Expected life of up to (years)	6	5.3

Warrants

The remaining outstanding warrants and terms as of September 30, 2020 and December 31, 2019 are as follows:

Issuance date	Outstanding as of September 30, 2020	Outstanding as of December 31, 2019	Exercise Price	Exercisable as of September 30, 2020	Exercisable Through
Series A (2013) (*)	183	183	$ 2,754.00	183	April 9, 2023
Series A (2015) (*)	-	683	$ 1,377.00	-	April 30, 2020
Series B (2016) (*)	2,770	2,770	$ 40.50	2,770	March 14, 2022
Warrant to underwriters 1.2019	8,082	22,767	$ 8.13	8,082	July 14, 2022
Warrant to underwriters 1.2019	29,500	29,500	$ 12.50	29,500	July 15, 2022
Warrant to underwriters 1.2019	-	12,500	$ 12.50	-	January 15, 2020
Warrant to underwriters 12.2019	45,643	45,643	$ 13.13	45,643	June 25, 2023
Warrant to underwriters 12.2019	47,619	47,619	$ 13.13	47,619	June 27, 2023
Warrant to underwriters 12.2019	45,045	45,045	$ 13.88	45,045	June 30, 2023

(*) Prior to January 1, 2019, warrants with non-standard anti-dilution provisions (referred to as down round protection) were classified as liabilities and re-measured each reporting period. On January 1, 2019, the Company adopted the provisions of ASU 2017-11, which indicates that a down round feature no longer precludes equity classification when assessing whether an investment is indexed to an entity's own stock. The Company used a full retrospective approach to adoption and restated its financial statements as of the earliest period presented. The cumulative effect of adoption of ASU 2017-11 resulted in an adjustment to accumulated deficit as of January 1, 2018 of $20 with a corresponding adjustment to additional paid-in capital.

In December 2019, 125,000 outstanding warrants at an exercise price per share of $10.00, were exercised on a "net exercise" or "cashless" basis into 61,677 shares of common stock, and 125,000 outstanding warrants at an exercise price per share of $10.00, were exercised on a "net exercise" or "cashless" basis into 50,143 shares of common stock. All of such warrants were issued in January 2019.

In August 2020, 14,685 outstanding warrants at an exercise price per share of $8.125, were exercised on a "net exercise" or "cashless" basis into 4,873 shares of common stock.

NOTE 6 - SUBSEQUENT EVENTS

On November 5, 2020, the Company granted to independent directors of the Company, options to purchase an aggregate of 11,084 shares of the Company's common stock, at an exercise price per share of $7.22. The options vest as follows and in accordance with the terms of the Company's 2017 Equity Incentive Plan: (a) on May 5, 2021, the option shall vest and shall become exercisable with respect to 25% of the common stock; and (b) on a quarterly basis over the next 30 months, the option shall equally vest and become exercisable with respect to the remaining 75% of the common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

The following discussion should be read in conjunction with our unaudited financial statements and related notes included in Item 1, "Financial Statements," of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. Certain information contained in this MD&A includes "forward-looking statements." Statements which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition and results of operations, prospects and opportunities and are based upon information currently available to us and our management and their interpretation of what is believed to be significant factors affecting our existing and proposed business, including many assumptions regarding future events. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially and perhaps substantially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including those risks described in detail in the section entitled "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "would," "will," "could," "scheduled," "expect," "anticipate," "estimate," "believe," "intend," "seek," or "project" or the negative of these words or other variations on these words or comparable terminology.

In light of these risks and uncertainties, and especially given the nature of our existing and proposed business, there can be no assurance that the forward-looking statements contained in this section and elsewhere in this Quarterly Report on Form 10-Q will in fact occur. Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Overview

Microbot is a pre-clinical medical device company specializing in the research, design and development of next generation robotic endoluminal surgery devices targeting the minimally invasive surgery space. Microbot is primarily focused on leveraging its micro-robotic technologies with the goal of redefining surgical robotics while improving surgical outcomes for patients.

Microbot's current technological platforms, ViRob™, TipCAT™ and Liberty™ (including certain CardioSert assets), are comprised of proprietary innovative technologies. Using the ViRob platform, Microbot is currently developing the Self Cleaning Shunt, or SCSTM, for the treatment of hydrocephalus and Normal Pressure Hydrocephalus, or NPH. Utilizing the Liberty and CardioSert platforms, Microbot is developing the first ever fully disposable robot for various endovascular interventional procedures. In addition, the Company is focused on the development of a Multi Generation Pipeline Portfolio utilizing all of its proprietary technologies.

Microbot has a patent portfolio of 40 issued/allowed patents and 23 patent applications pending worldwide.

Technological Platforms

ViRob

The ViRob is an autonomous crawling micro-robot which can be controlled remotely or within the body. Its miniature dimensions are expected to allow it to navigate and crawl in different natural spaces within the human body, including blood vessels, the digestive tract and the respiratory system as well as artificial spaces such as shunts, catheters, ports, etc. Its unique structure is expected to give it the ability to move in tight spaces and curved passages as well as the ability to remain within the human body for prolonged time. The SCS product was developed using the ViRob technology.

TipCAT

The TipCAT is a disposable self-propelled locomotive device that is specially designed to advance in tubular anatomies. The TipCAT is a mechanism comprising a series of interconnected balloons at the device's tip that provides the TipCAT with its forward locomotion capability. The device can self-propel within natural tubular lumens such as the blood vessels, respiratory and the urinary and GI tracts. A single channel of air/fluid supply sequentially inflates and deflates a series of balloons creating an inchworm like forward motion. The TipCAT maintains a standard working channel for treatments. Unlike standard access devices such as guidewires, catheters for vascular access and endoscopes, the TipCAT does not need to be pushed into the patient's lumen using external pressure; rather, it will gently advance itself through the organ's anatomy. As a result, the TipCAT is designed to be able to reach every part of the lumen under examination regardless of the topography, be less operator dependent, and greatly reduce the likelihood of damage to lumen structure. The TipCAT thus offers functionality features equivalent to modern tubular access devices, along with advantages associated with its physiologically adapted self-propelling mechanism, flexibility, and design.

CardioSert

On May 25, 2018, Microbot acquired a patent-protected technology from CardioSert Ltd., a privately-held medical device company based in Israel that was part of a technological incubator supported by the Israel Innovation Authorities. The CardioSert technology contemplates a combination of a guidewire and microcatheter, technologies that are broadly used for surgery within a tubular organ or structure such as a blood vessel or duct. The CardioSert technology features a unique guidewire delivery system with steering and stiffness control capabilities which when developed is expected to give the physician the ability to control the tip curvature, to adjust tip load to varying degrees of stiffness in a gradually continuous manner. The CardioSert technology was originally developed to support interventional cardiologists in crossing chronic total occlusions (CTO) during percutaneous coronary intervention (PCI) procedures and has the potential to be used in other spaces and applications, such as peripheral intervention, and neurosurgery.

Liberty

On January 13, 2020, Microbot unveiled what it believes is the world's first fully disposable robotic system for use in Endovascular Interventional procedures, such as cardiovascular, peripheral and neurovascular. The Liberty robotic system features a unique compact design with the capability to be operated remotely, reduce radiation exposure and physical strain to the physician, as well as the potential to eliminate the use of multiple consumables through its "One & Done" capabilities, based in part on the CardioSert platform.

Liberty is designed to maneuver guidewires and over-the-wire devices (such as microcatheters) within the body's vasculature. It eliminates the need for extensive capital equipment requiring dedicated Cath-lab rooms as well as dedicated staff. In addition, it is being designed to streamline Cath-lab procedures with our proprietary "One & Done" tool that combines guidewire and microcatheter into a single device. With control over tip curvature and stiffness for maneuverability and access – and without the need for constant tool exchanges – the "One & Done" feature of Liberty may drastically reduce procedure time and costs while enhancing the operator experience.

On August 17, 2020, Microbot announced the successful conclusion of its feasibility animal study using the Liberty robotic system. The study met all of its end points with no intraoperative adverse events, which supports Microbot's objectives to allow physicians to conduct a catheter-based procedure from outside the catheterization laboratory (cath-lab), avoiding radiation exposure, physical strain and the risk of cross contamination. The study was performed by two leading physicians in the neuro vascular and peripheral vascular intervention spaces, and the results demonstrated robust navigation capabilities, intuitive usability and accurate deployment of embolic agents, most of which was conducted remotely from the cath-lab's control room.

We are continuously exploring and evaluating additional innovative guidewire/microcatheter technologies to be integrated and combined with the Liberty robotic platform.

Financial Operations Overview

Research and Development Expenses

Research and development expenses consist primarily of salaries and related expenses and overhead for our research, development and engineering personnel, prototype materials and research studies, and obtaining and maintaining our patent portfolio. We expense our research and development costs as incurred.

General and Administrative Expenses

General and administrative expenses consist primarily of the costs associated with management costs, professional fees for accounting, auditing, consulting and legal services, and allocated overhead expenses.

Microbot expects that its general and administrative expenses may increase in the future as it expands its operating activities, maintains and expands its patent portfolio and other intellectual property rights, evaluates and potentially acquires other technologies and assets, and incurs costs associated with being a public company and maintaining compliance with exchange listing and SEC requirements. Microbot expects these potential increases will likely include management costs, legal fees, accounting fees, directors' and officers' liability insurance premiums and expenses associated with investor relations.

Income Taxes

Microbot has incurred net losses and has not recorded any income tax benefits for the losses. It is still in its development stage and has not yet generated revenues, therefore, it is more likely than not that sufficient taxable income will not be available for the tax losses to be fully utilized in the future.

Critical Accounting Policies and Significant Judgments and Estimates

Microbot's management's discussion and analysis of its financial condition and results of operations are based on its financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires Microbot to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, Microbot evaluates its estimates and judgments, including those related to accrued research and development expenses. Microbot bases its estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

While Microbot's significant accounting policies are described in more detail in the notes to its financial statements, Microbot believes the following accounting policies are the most critical for fully understanding and evaluating its financial condition and results of operations.

Foreign Currency Translation

Microbot's functional currency is the U.S. dollars, and its reporting currency is the U.S. dollar.

Government Grant and Input Tax Credit Recoveries

Microbot from time to time has received, and may in the future continue to receive, grants from the Israeli Innovation Authority to cover eligible company expenditures. These are presented as other income in the statement of operations and comprehensive loss as the grant funds are used for or applied towards a number of Microbot's operating expenses, such as salaries and benefits, research and development and professional and consulting fees. The recoveries are recognized in the corresponding period when such expenses are incurred.

Research and Development Expenses

Research and development expenses consist primarily of salaries and related expenses and overhead for Microbot's research, development and engineering personnel, prototype materials and research studies, and obtaining and maintaining Microbot's patent portfolio. Microbot recognizes research and development expenses as incurred, typically estimated based on an evaluation of the progress to completion of specific tasks using data such as clinical site activations, manufacturing steps completed, or information provided by vendors on their actual costs incurred. Microbot determines the estimates by reviewing contracts, vendor agreements and purchase orders, and through discussions with internal clinical personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services. These estimates are made as of each balance sheet date based on facts and circumstances known to Microbot at that time. If the actual timing of the performance of services or the level of effort varies from the estimate, Microbot will adjust the estimate accordingly. Nonrefundable advance payments for goods and services, including fees for process development or manufacturing and distribution of clinical supplies that will be used in future research and development activities, are capitalized as prepaid expenses and recognized as expense in the period that the related goods are consumed or services are performed.

Microbot may pay fees to third-parties for manufacturing and other services that are based on contractual milestones that may result in uneven payment flows. There may be instances in which payments made to vendors will exceed the level of services provided and result in a prepayment of the research and development expense.

Results of Operations

Comparison of Three and Nine Months Ended September 30, 2020 and 2019

The following table sets forth the key components of Microbot's results of operations for the three and nine-month periods ended September 30, 2020 and 2019 (in thousands):

	Three months ended September 30,		Increase/	Nine months ended September 30,		Increase/
	2020	2019	(Decrease)	2020	2019	(Decrease)
Research and development expenses	$ 1,037	$ 843	$ 194	$ 2,397	$ 2,207	$ 190
General and administrative expenses	1,378	948	430	4,065	3,045	1,020
Financing expenses, net	57	83	(26)	70	125	(55)

Research and Development Expenses. Microbot's research and development expenses were approximately $1,037,000 and $2,397,000 for the three and nine months ended September 30, 2020, compared to approximately $843,000 and $2,207,000 for the same period in 2019. The increase in research and development expenses of approximately $194,000 in 2020 was primarily due to an increase during the three months ended September 30, 2020 of professional services, salaries and IP relating to development expenses. Microbot expects its research and development expenses to continue to increase over time as Microbot advances its development programs and begins pre-clinical and clinical trials for its product candidates.

General and Administrative Expenses. General and administrative expenses were approximately $1,378,000 and $4,065,000 for the three and nine months ended September 30, 2020, compared to approximately $948,000 and $3,045,000 for the same period in 2019. The increase in general and administrative expenses of approximately $1,020,000 in the nine months ended September 30, 2020 was primarily due to increases in the salaries, insurance expenses, rent and share based compensation, partially offset by a decrease in professional services expenses relating to legal fees and travels expenses. Microbot believes its general and administrative expenses may increase over time as it advances its programs, increases its headcount and operating activities and incurs expenses associated with being a public company.

Financing Expenses. Financing income (expenses) were approximately $(57,000) and $(70,000) for the three and nine months ended September 30, 2020, compared to approximately $(83,000) and $(125,000) for the same period in 2019. The decrease in financial income for the nine months ended September 30, 2020 was primarily due to accrued interest expense relating to litigation that was resolved in early 2020.

Liquidity and Capital Resources

Microbot has incurred losses since inception and negative cash flows from operating activities for all periods presented. As of September 30, 2020, Microbot had a net working capital of approximately $26,025,000 consisting primarily of cash and cash equivalents. This compares to net working capital of approximately $31,110,000 as of December 31, 2019. Microbot anticipates that it will continue to incur net losses for the foreseeable future as it continues research and development efforts of its product candidates, hires additional staff, including clinical, scientific, operational, financial and management personnel, and incurs additional costs associated with being a public company.

Microbot has funded its operations through the issuance of capital stock, grants from the Israeli Innovation Authority (“IIA”), and convertible debt. Since inception (November 2010) through September 30, 2020, Microbot has raised net cash proceeds of approximately $54,770,000, and incurred a total cumulative loss of approximately $41,643,000. Microbot recently returned $3,375,000 (before interest) of such proceeds as a result of an adverse outcome in a litigation that concluded in the nine months ended September 30, 2020, and is now subject to an additional lawsuit seeking the return of an additional $6,750,000 (before interest) of such proceeds.

Microbot Israel obtained from the IIA grants for participation in research and development for the years 2013 through September 30, 2020 in the total amount of approximately $1,500,000 and, in return, Microbot Israel is obligated to pay royalties amounting to 3%-3.5% of its future sales up to the amount of the grant. The grant is linked to the exchange rate of the dollar to the New Israeli Shekel and bears interest at an annual rate of USD LIBOR. Under the terms of the grant and applicable law, Microbot is restricted from transferring any technologies, know-how, manufacturing or manufacturing rights developed using the grant outside of Israel without the prior approval of the Israel Innovation Authority. Microbot has no obligation to repay the grant, if the SCS project fails, is unsuccessful or aborted before any sales are generated. The financial risk is assumed completely by the IIA.

Microbot believes that its net cash will be sufficient to fund its operations for at least 24 months and fund operations necessary to continue development activities of its product candidates. However, in the event we are unsuccessful in our current litigation with certain investors, pursuant to which they are seeking the return of $6,750,000 (plus interest) in proceeds we received from them in a 2017 stock offering, we may have funds for less than 24 months. In either case, management believes that Microbot has sufficient net cash to fund its operations necessary to continue development activities of its current proposed products for at least 12 months from the issuance date of this Quarterly Report on Form 10-Q.

Microbot plans to continue to fund its research and development and other operating expenses, other development activities relating to additional product candidates, and the associated losses from operations, through its existing cash and possibly additional grants from the IIA. Microbot may also raise capital through future issuances of debt and/or equity securities. These issuances may be opportunistic and even if the company has enough funds at such time for operations for more than 12-24 months. The capital raises from issuances of convertible debt and equity securities could result in additional dilution to Microbot's shareholders. In addition, to the extent Microbot determines to incur additional indebtedness, Microbot's incurrence of additional debt could result in debt service obligations and operating and financing covenants that would restrict its operations. Microbot can provide no assurance that financing will be available in the amounts it needs or on terms acceptable to it, if at all. If Microbot is not able to secure adequate additional working capital when it becomes needed, it may be required to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned research programs. Any of these actions could materially harm Microbot's business.

Cash Flows

The following table provides a summary of the net cash flow activity for each of the periods set forth below (in thousands):

	Nine months ended September 30,	
	2020	**2019**
Net cash flows from operating activities	$ (5,582)	$ (4,531)
Net cash flows from investing activities	2,438	(2,496)
Net cash flows from financing activities	(3,375)	9,562
(Decrease) increase in cash, cash equivalents and restricted cash	$ (6,519)	$ 2,535

Comparison of the Nine Months Ended September 30, 2020 and 2019

Net cash flows from operating activities for the nine months ended September 30, 2020 was approximately $5,582,000, calculated by adjusting net loss from operations by approximately $950,000 to eliminate non-cash and expense items not involving cash flows such as depreciation and share based compensation expense, as well as other changes in current assets and liabilities resulting in non-cash adjustments in the consolidated statements of operations. Cash used in operating activities for the nine months ended September 30, 2019 was approximately $4,531,000, similarly adjusted by approximately $846,000.

Net cash flows from investing activities for the nine months ended September 30, 2020 was approximately $2,438,000, compared to approximately $(2,496,000) for the nine months ended September 30, 2019, which consisted of primarily marketable securities.

Net cash flows from financing activities of $(3,375,000) for the nine months ended September 30, 2020 compared to approximately $9,562,000 for the nine months ended September 30, 2019 consisted of issuance of common stock and warrants and repayment of shareholders investments relating to litigation.

Off-Balance Sheet Arrangements

Microbot has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Microbot's cash and cash equivalents as of September 30, 2020 and December 31, 2019 consisted of readily available cash and money market funds. Microbot's primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the instruments in Microbot's portfolio, a sudden change in market interest rates would not be expected to have a material impact on Microbot's financial condition and/or results of operations. Microbot does not believe that its cash or cash equivalents have significant risk of default or illiquidity. While Microbot believes its cash and cash equivalents do not contain excessive risk, Microbot cannot provide absolute assurance that in the future its investments will not be subject to adverse changes in market value. In addition, Microbot maintains significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Foreign Exchange Risks

Our financial statements are denominated in U.S. dollars and financial results are denominated in U.S. dollars, while a significant portion of our business is conducted, and a substantial portion of our operating expenses are payable, in currencies other than the U.S. dollar.

Exchange rate fluctuations may have an adverse impact on our future revenues, if any, or expenses as presented in the financial statements. We may in the future use financial instruments, such as forward foreign currency contracts, in its management of foreign currency exposure. These contracts would primarily require us to purchase and sell certain foreign currencies with or for U.S. dollars at contracted rates. We may be exposed to a credit loss in the event of non-performance by the counterparties of these contracts. In addition, these financial instruments may not adequately manage our foreign currency exposure. Our results of operations could be adversely affected if we are unable to successfully manage currency fluctuations in the future.

Effects of Inflation

Inflation generally affects Microbot by increasing its clinical trial costs. Microbot does not believe that inflation and changing prices had a significant impact on its results of operations for any periods presented herein.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). As required by Rule 13a-15(b) under the Exchange Act, management of the Company, under the direction of our Chief Executive Officer and Chief Financial Officer, reviewed and performed an evaluation of the effectiveness of design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 30, 2020. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer, along with the management of the Company, have determined that as of September 30, 2020, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and were effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business.

Litigation Resulting from 2017 Financing

We were named as the defendant in a lawsuit captioned Empery Asset Master Ltd., Empery Tax Efficient, LP, Empery Tax Efficient II, LP, Hudson Bay Master Fund Ltd., Plaintiffs, against Microbot Medical Inc., Defendant, in the Supreme Court of the State of New York, County of New York (the "Court") (Index No. 651182/2020). The complaint alleges, among other things, that we breached multiple representations and warranties contained in the Securities Purchase Agreement (the "SPA") related to our June 8, 2017 equity financing (the "Financing"), of which the Plaintiffs participated, and fraudulently induced Plaintiffs into signing the SPA. The complaint seeks rescission of the SPA and return of the Plaintiffs' $6.75 million purchase price with respect to the Financing. We filed a Motion to Dismiss on March 16, 2020, which Motion is pending before the Court. As a result of the adverse outcome with respect to a previous litigation relating to the SPA and the Financing, management is unable to assess the likelihood that we will succeed on our Motion to Dismiss, or at trial if we lose the Motion.

Alliance Litigation

On April 28, 2019, we brought an action against Alliance Investment Management, Ltd. ("Alliance"), later amended to include Joseph Mona ("Mona") as a defendant, in the Southern District of New York under Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. 78p(b), to compel Alliance and Mona to disgorge short swing profits realized from purchases and sales of our securities within a period of less than six months. The case is Microbot Medical Inc. v. Alliance Investment Management, Ltd., No. 19-cv-3782-GBD (SDNY). The amount of profits we are seeking to divest is estimated to be approximately $468,000.

On October 28, 2019, Alliance filed a motion for summary judgment requesting that the Court dismiss the claims against Alliance. On February 4, 2020, Mona answered the 16(b) claim we asserted against him by claiming various equitable defenses, and filed a counterclaim against Microbot under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, claiming a net loss on trading Microbot stock of $150,954.

On March 6, 2020, we filed a motion for judgment on the pleadings with respect to our 16(b) claim against Mona, together with a motion to dismiss Mona's 10(b) counterclaim. These motions were fully briefed as of April 26, 2020 and remain pending.

On September 17, 2020, the Court issued a Memorandum Decision & Order that, among other things, granted Alliance's summary judgment motion. Notwithstanding the dismissal of our claim against Alliance, our Section 16(b) claim against Mona remains pending.

We believe Mona's counterclaim is without merit, and to intend to vigorously defend against Mona's allegations. However, given that litigation is ongoing, management is unable to predict the outcome of the case, or the amount of damages, if any, that may be awarded on either our 16(b) claim, or on Mona's 10(b) counterclaim.

Other than the foregoing, we are not currently a party in any legal proceeding or governmental regulatory proceeding nor are we currently aware of any pending or potential legal proceeding or governmental regulatory proceeding proposed to be initiated against us that would have a material adverse effect on us or our business.

Item 1A. Risk Factors.

Not required for a Smaller Reporting Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On August 18, 2020, 14,685 outstanding warrants of the Company at an exercise price per share of $8.125, were exercised on a "net exercise" or "cashless" basis into 4,873 shares of common stock. The issuances of the 4,873 shares of common stock were exempt from registration under Section 4(a)(2) under the Securities Act of 1933, as amended and the rules promulgated thereunder (the "Securities Act") as a transaction not involving a public offering to a single investor, and/or 3(a)(9) under the Securities Act.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

The exhibits listed below are hereby furnished to the SEC as part of this report:

10.1	Microbot Medical Inc. 2020 Omnibus Performance Award Plan (incorporated by reference to Exhibit A of the Company's Definitive Proxy Statement on Schedule 14A filed on July 31, 2020).
31.1	Certification of Harel Gadot, Chairman, President and Chief Executive Officer
31.2	Certification of David Ben Naim, Chief Financial Officer
32.1	Certification of Harel Gadot, Chairman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of David Ben Naim, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	XBRL Instance.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation.
101.DEF	XBRL Taxonomy Extension Definition.
101.LAB	XBRL Taxonomy Extension Labels.
101.PRE	XBRL Taxonomy Extension Presentation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 16th day of November, 2020.

MICROBOT MEDICAL INC.

By: */s/ Harel Gadot*
Name: Harel Gadot
Title: Chairman, President and Chief Executive Officer
(Principal Executive Officer)

By: */s/ David Ben Naim*
Name: David Ben Naim
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Certifications of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Harel Gadot, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Microbot Medical Inc.;

2. Based upon my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based upon my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 16, 2020

/s/ Harel Gadot
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certifications of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Ben Naim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Microbot Medical Inc.;

2. Based upon my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based upon my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 16, 2020

/s/ David Ben Naim
Chief Financial Officer

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Harel Gadot, Chairman, President and Chief Executive Officer of Microbot Medical Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the quarterly report on Form 10-Q for the period ending September 30, 2020 of Microbot Medical Inc. (the "Form 10-Q") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Microbot Medical Inc.

Dated: November 16, 2020

/s/ Harel Gadot

Harel Gadot
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, David Ben Naim, Chief Financial Officer of Microbot Medical Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the quarterly report on Form 10-Q for the period ending September 30, 2020 of Microbot Medical Inc. (the "Form 10-Q") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Microbot Medical Inc.

Dated: November 16, 2020

/s/ David Ben Naim

David Ben Naim
Chief Financial Officer
(Principal Financial Officer)